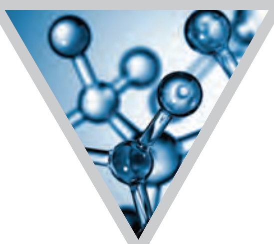
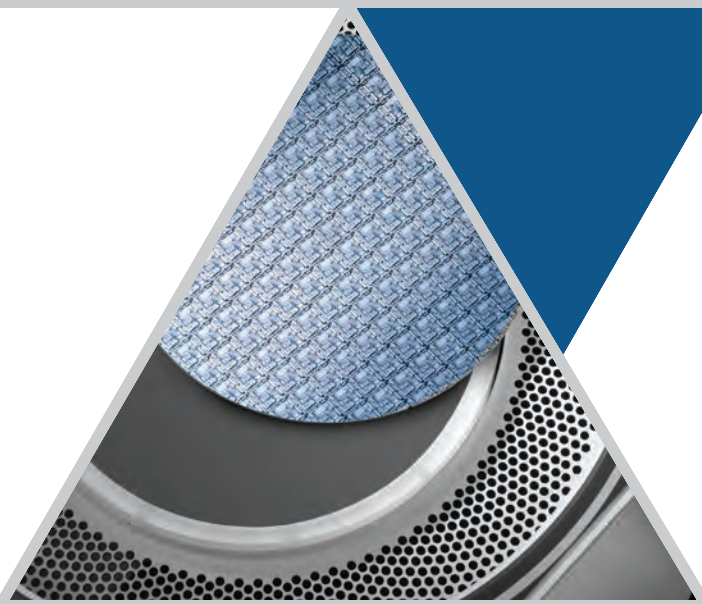
ANNUAL REPORT **2014**

Lam RESEARCH

Innovative **Technology**
Trusted **Productivity**
Fast **Solutions**

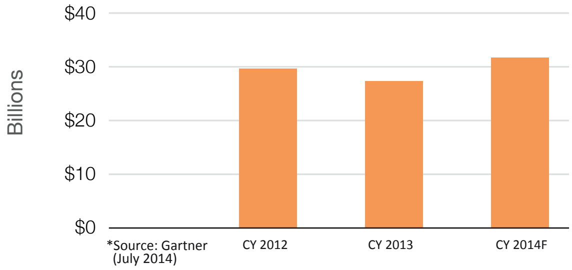




OUTPERFORMING THE INDUSTRY

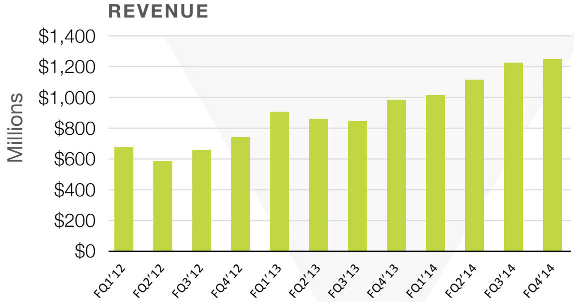
Lam Research delivered a record year for financial performance in fiscal 2014 and is well positioned to continue outperforming the wafer fabrication equipment industry over the next several years. Our portfolio of deposition, etch, and clean products and complementary service offerings address the key technology inflections facing our customers today, helping drive significant opportunities to expand our served available market and grow our market share. We are pursuing these opportunities by aspiring to be the industry's most trusted and collaborative partner for our customers and by focusing on execution to create value for all of our stakeholders. Our performance over the past fiscal year and our ability to continue delivering on our objectives reflect the dedication and commitment of Lam's global employees.

WAFER FAB EQUIPMENT*

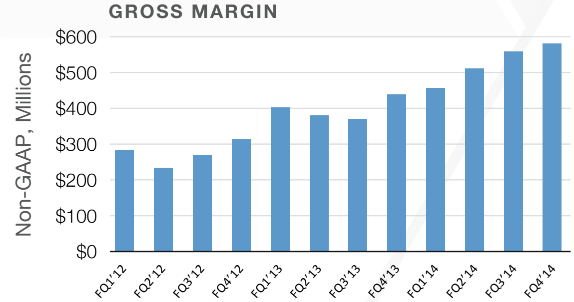


SHIPMENTS

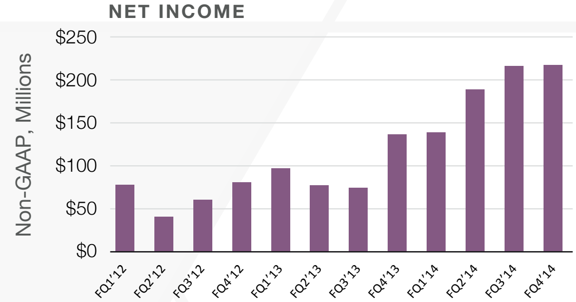
REVENUE



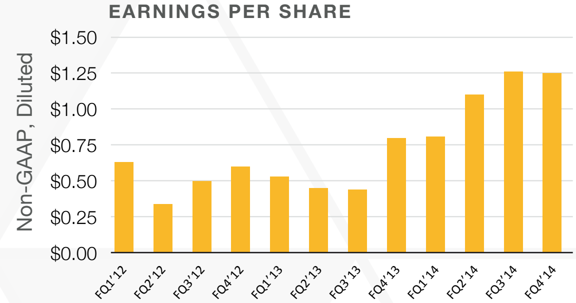
GROSS MARGIN



NET INCOME



EARNINGS PER SHARE



Data reflect financial contribution from Novellus Systems following Lam's acquisition on June 4, 2012. A reconciliation of U.S. GAAP results to non-GAAP results can be found at www.lamresearch.com.

LETTER TO OUR STOCKHOLDERS

Lam Research delivered a remarkably successful fiscal 2014, securing market growth and delivering financial performance consistent with our stated targets relative to semiconductor wafer fabrication equipment spending.

We began the fiscal year with our first-ever $1 billion revenue quarter, and we grew revenue in each consecutive quarter of fiscal 2014. For the fiscal year, shipments and revenue increased by 23% and 28%, respectively. These significant achievements demonstrate the value of our commitment to optimizing our portfolio of products and services to solve our customers' most critical challenges. In addition, the Company delivered increased annual profitability with operating income growing more than twice the rate of revenue growth.

This strong financial performance generated cash from operations of $717 million, significantly contributing to our targeted return of $1 billion to our stockholders by the end of fiscal 2016, while at the same time supporting continued investment for our future growth. During the fiscal year, we repurchased 4.9 million shares of common stock at an average share price of $52.10, and we initiated our first quarterly dividend of 18 cents per share.

Outperformance for Lam Research compared with overall spending on wafer fabrication equipment has emerged as a major theme for our business, not just in fiscal 2014, but more importantly in our future. The devices our customers are creating are growing increasingly more complex as feature sizes continue to shrink and new device architectures and materials are introduced. Semiconductor manufacturing processes are correspondingly more dependent on leading-edge equipment and support, particularly within the market segments served by our strong portfolio of deposition, etch, and clean products, as well as our spare parts and service offerings. Increased customer investments in these areas have already grown our served available market, and we expect expansion in the amount of $2 billion in our annual served market over the next few years.

This market expansion results from our customers' need to introduce new technologies to continue their innovation. The introduction of FinFET structures in logic, advanced patterning schemes in DRAM memory and logic, and 3D architectures in NAND memory and advanced packaging creates inflection points in the market which we have targeted for additional market share gains. These critical applications require stringent control of process variability to maximize customer yield and facilitate the manufacture of devices with lower power consumption and improved semiconductor performance. Lam is investing heavily in these opportunities, and as a result, we are innovating at perhaps the highest rate in the history of our company, with 17 new product configurations introduced in the last 12 months. We are very excited about key product penetration successes that, with continued execution by the Company, position us well for the upcoming market expansion:

- In deposition, customers are relying on our VECTOR® ALD Oxide tool in multiple patterning schemes that use atomic layer deposition to create highly conformal films to define critical pattern dimensions. In 3D memory structures, our VECTOR® Q Strata™ delivers ultra-smooth, uniform films with high productivity, and our ALTUS® Max ICEFill™ provides void-free tungsten-fill for the geometrically complex 3D NAND wordlines.

- Our market-leading performance in etch has been enhanced by the introduction of the 2300® Kiyo® family with Hydra™ technology. This technology facilitates within-process die-by-die uniformity control and also can correct for incoming pattern non-uniformities. We also announced the introduction of an atomic layer etch capability on the 2300® Kiyo® F Series, which is the first high-volume-manufacturing-worthy atomic layer etch system available in the market. For 3D NAND, our newly introduced 2300® Flex™ F Series etches high aspect ratio structures with minimal distortion or sidewall damage.

- In wet clean, our next-generation tool is being evaluated at several of our largest customers, and we see emerging acceptance for our broader offering. Damage-free cleans are exceptionally difficult at critical dimensions, and our new spin clean tool has demonstrated this capability with competitive productivity.

These and other application successes support our confidence in our ability to continue growth in excess of the pace of our industry. Over the next three years, we are targeting share gains of 4-8% in deposition, 3-5% in etch, and 5-10% in single-wafer clean from the calendar year 2013 baseline. Overall, we estimate our technology inflections market share to be in excess of 50% across the deposition, etch, and clean product portfolio, some 10 percentage points higher than our current baseline.

While these anticipated market share gains will drive equipment shipments and revenues over the next several years, it is also important to recognize our growing spares and service business, which extends the life of our installed base by offering our customers productivity and technology enhancements, as well as providing process knowledge solutions. Our installed base business is projected to deliver higher revenue growth rates than the implied number of Lam tools shipped over the next several years, as we focus on delivering more comprehensive, differentiated, and configurable lifecycle solutions to our customers.

A key differentiator in Lam's current success as well as our future outperformance opportunity is our focus on customer trust and collaboration.

A key differentiator in Lam's current success as well as our future outperformance opportunity is our focus on customer trust and collaboration. We invest in collaborative research programs across our industry with our customers, consortia, and leading educational institutions to remain broadly engaged with next-generation process development. We partner extensively with our customers, in their research and development laboratories as well as their manufacturing facilities, contributing to, or delivering, solutions for their most difficult challenges as rapidly as possible. This commitment to our customers and the knowledge we develop as a result of this collaboration serve as the foundation for our fast solution leadership at a time of ongoing consolidation in our sector, both among equipment providers and customers.

In closing, we extend our sincere thanks to everyone who has made a commitment to our company: to our supportive stockholders for your interest and investment in us; to our valued customers for their collaboration and support; to our suppliers for their responsiveness and partnership; and to our global employees for their tremendous efforts and dedication and whose contributions are fundamental to the success of our business.

Sincerely,

Martin B. Anstice
President and Chief Executive Officer

Stephen G. Newberry
Chairman of the Board

September 2, 2014

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 Investor Services
P.O. Box 30170
College Station, Texas 77842-3170
1.877.265.2630

Private Couriers/Registered Mail:
Computershare Investor Services
211 Quality Circle, Suite 210
College Station, Texas 77845

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 6, 2014, 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") and this Annual Report ("Report") 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 and Report by use of future-oriented words and phrases such as "emerge", "into the future", "estimate", "expect", "to continue", "opportunities", "we see", "targeting","invest", "innovating","pursuing", and "projected". 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: the timing and extent of our commitment to returning capital to our stockholders (whether in the form of share repurchases and/or quarterly dividends); investment in our future growth; our expectations regarding Lam's performance compared to wafer fabrication equipment spending in terms of future opportunities for our business; the amount and timing of the growth of our served available market; the drivers for Lam's technology opportunities and extent of our investment therein; Lam's innovation; the potential for our next-generation tool in wet clean; our expectations and opportunities for market expansion and share growth, and our projected revenue growth from our installed base business relative to our systems' sales; the key differentiators in our future performance opportunities; and our business plans and strategies. 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 2014 Form 10-K; under the heading "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of Part I of the Form 10-K; and other documents we file from time to time with the Securities and Exchange Commission, such as our quarterly reports on Form 10-Q and current reports on Form 8-K. These risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed in this Letter and in ways that are not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Letter and Report 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 and Report.

TRADEMARK INFORMATION

September 23, 2014

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2014 Annual Meeting of Stockholders. The annual meeting will be held on Thursday, November 6, 2014, 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 11 nominees named in the attached proxy statement as directors to serve for the ensuing year, and until their respective successors are elected and qualified, to cast an advisory vote on the compensation of our named executive officers ("Say on Pay") and to ratify the appointment of the independent registered public accounting firm for fiscal year 2015. 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 2014 Annual Meeting of Stockholders

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

Date and Time	Thursday, November 6, 2014 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 11 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 2015
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 8, 2014, 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 2014 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 23, 2014.

LAM RESEARCH CORPORATION
Proxy Statement for 2014 Annual Meeting of Stockholders

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Proxy Statement Summary

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.

Proposals and Voting Recommendations

Voting Matters	Board Vote Recommendation	See Page Number For Further Information
Proposal 1 – Election of 11 Nominees Named Herein as Directors	FOR each nominee	3
Proposal 2 – Advisory Vote on the Compensation of Our Named Executive Officers ("Say on Pay")	FOR	55
Proposal 3 – Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2015	FOR	55

Director Nominees

You are being asked to vote on the election of these 11 directors. The following table provides summary information about each director nominee, and their biographical information is contained in the "*Proposal No. 1: Election of Directors – Nominees for Director*" section below.

Name	Age	Director Since	Independent	Committee Membership			Other Current Public Boards
				AC	CC	NGC	
Martin B. Anstice	47	2012	No				
Eric K. Brandt	52	2010	Yes	C			Dentsply International
Michael R. Cannon	61	2011	Yes	M		M	Adobe Systems, Seagate Technology, Dialog Semiconductor
Youssef A. El-Mansy	69	2012	Yes		M		
Christine A. Heckart	48	2011	Yes		M		
Grant M. Inman	72	1981	Yes (Lead Independent Director)		M	C	Paychex
Catherine P. Lego	57	2006	Yes	M		M	SanDisk, Fairchild Semiconductor International
Stephen G. Newberry	60	2005	No				Nanometrics, Splunk
Krishna C. Saraswat	67	2012	Yes			M	
William R. Spivey	67	2012	Yes	M		M	Cascade Microtech, Raytheon
Abhijit Y. Talwalkar	50	2011	Yes		C		

AC – Audit Committee
CC – Compensation Committee
NGC – Nominating and Governance Committee

C – Chairperson
M – Member

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Corporate Governance Highlights

Board and Other Governance Information[1]	As of September 2014
Size of Board	11
Average Age of Directors	59
Average Tenure of Directors	6.5
Number of Independent Directors	9
Number of Directors Who Attended ≥75% of Meetings	11
Number of Directors on More Than Four Public Company Boards	0
Directors Subject to Stock Ownership Guidelines	Yes
Annual Election of Directors	Yes
Voting Standard	Majority
Plurality Voting Carveout for Contested Elections	Yes
Separate Chairman and CEO	Yes
Lead Independent Director	Yes
Independent Directors Meet Without Management Present	Yes
Board and Committee Self-Evaluations	Yes
Board Orientation/Education Program	Yes
Code of Ethics Applicable to Directors	Yes
Stockholder Ability to Act by Written Consent	Yes
Poison Pill	No
Publication of Corporate Social Responsibility Report	Yes

[1] Highlights of preferred compensation-related policies, practices and provisions are shown in the "*Executive Compensation and Other Information – Overview of Executive Compensation - Highlights of Preferred Compensation-Related Policies, Practices and Provisions*" section below, and include a compensation recovery or "clawback" policy and a prohibition of hedging and pledging.

Proposal No. 1: Election of Directors

Nominees for Director

A board of 11 directors is to be elected at the 2014 annual meeting. In general, the 11 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 11 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 or until his or her earlier resignation or removal.

Unless otherwise instructed, the Proxy Holders will vote the proxies received by them for the 11 nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than 11 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, 2014, 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, to understand the Company's business environment and 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 RECOMMENDS A VOTE "FOR" EACH OF THE DIRECTOR NOMINEES SET FORTH BELOW.

Continues on next page ▸

Martin B. Anstice
Director since 2012
Age 47

Martin B. Anstice 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; his international experience; and his strong leadership and experience as a corporate executive.

Eric K. Brandt
Director since 2010
Age 52

Board Committees:
- Audit (chair)

Public company directorships in last five years:
- Dentsply International Inc.
- Vertex Pharmaceuticals, Inc. (former)

Eric K. Brandt 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; his experience with mergers and acquisitions; and his service on other boards of directors of public companies, including as an audit committee chair.

Michael R. Cannon
Director since 2011
Age 61

Board Committees:
- Audit
- Nominating and Governance

Public company directorships in last five years:
- Adobe Systems Inc.
- Seagate Technology Public Limited
- Dialog Semiconductor
- Elster Group SE (former)

Michael R. Cannon 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 and was the chair of the compensation 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 chair of the remuneration committee and a member of the nomination 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 extensive experience as a director on other public company boards, including on an audit committee, compensation or remuneration committees and nominations and governance committees; his experience in leadership roles at a public corporation that is a customer of our customers; his 20 years of international management and leadership experience; his experience with marketing, mergers, acquisitions and related transactions; and his industry knowledge.

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Youssef A. El-Mansy
Director since 2012
Age 69

Board Committees:
- Compensation

Public company directorships in last five years:
- Novellus Systems, Inc. (former)
- Zygo Corporation (former)

Youssef A. El-Mansy 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 industry 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; and his past public company experience at other companies as a director and member and chair of a compensation committee.

Christine A. Heckart
Director since 2011
Age 48

Board Committees:
- Compensation

Christine A. Heckart has served as the Chief Marketing Officer of Brocade Communications Systems, Inc., a networking solution company, since March 2014. Immediately prior to joining Brocade, she was the Executive Vice President, Strategy, Marketing, People and Systems since May 2013 and the Chief Marketing Officer from July 2012 until May 2013 at ServiceSource International Inc., a service revenue management company. 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, including networks and big data; and her strong marketing background.

Grant M. Inman
Lead Independent Director
Director since 1981
Age 72

Board Committees:
- Compensation
- Nominating and Governance (Chair)

Public company directorships in last five years:
- Paychex, Inc.

Grant M. Inman 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 since its inception; his deep industry knowledge; his extensive experience on other boards (including as chairman of audit, compensation and nominating and governance committees) and the resulting corporate governance expertise he has developed; and the diverse perspective he brings from his investment experience.

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Catherine P. Lego
Director since 2006
Age 57

Board Committees:
- Audit
- Nominating and Governance

Public company directorships in last five years:
- SanDisk Corporation
- Fairchild Semiconductor International Inc.

Catherine P. Lego 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 May 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 of the Cosworth Group, a private United Kingdom-based precision engineering products and services company, from March 2011 to June 2013, and as the chair of the audit committee; 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 experience on our board; her substantial accounting and financial expertise; her knowledge of the electronics and semiconductor industries and the perspective of companies that are customers of our customers; her experience with mergers and acquisitions; and her experience on other boards, including her current service as chairman of an audit committee and member of a nominating and governance committee.

Stephen G. Newberry
Chairman of the Board
Director since 2005
Age 60

Public company directorships in last five years:

- Nanometrics Incorporated
- Splunk Inc.
- Amkor Technology, Inc. (former)

Stephen G. Newberry 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 also served as a member of the board of directors of Nanometrics Incorporated, a provider of process control metrology and inspection systems, since May 2011, and as a chair of the compensation committee and member of the nominating and governance committee; and Splunk Inc., a software platform company for real-time operational intelligence, since January 2013, where he chairs the compensation committee.

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, where he served as a member of the compensation committee; Nextest Systems Corporation, a developer of automated test equipment systems for the semiconductor industry, from 2000 to 2008, where he served as a member of the audit, compensation and nominating and corporate governance committees; and Semiconductor Equipment and Materials International, or "SEMI," a global semiconductor equipment trade association, from July 2004 to July 2014.

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 former Chief Executive Officer; his marketing experience; his previous role, including as a director, at SEMI, our industry's leading trade association; his public company board experience, including on the audit committee, compensation committees and nominating and governance committees of other companies; and his strong leadership and operations expertise.

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Krishna C. Saraswat
Director since 2012
Age 67

Board Committees:
- Nominating and Governance

Public company directorships in last five years:
- Novellus Systems, Inc. (former)

Krishna C. Saraswat 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 past experience as a director of Novellus.

William R. Spivey
Director since 2012
Age 67

Board Committees:

- Audit
- Nominating and Governance

Public company directorships in last five years:

- Cascade Microtech, Inc.
- Raytheon Company
- Novellus Systems, Inc. (former)
- Laird PLC (former)
- ADT Telecommunications Inc. (former)

William R. Spivey was President and Chief Executive Officer of Luminent, Inc., a producer of fiber optic components, from July 2000 to September 2001. 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 chairman of the board of directors of Cascade Microtech, Inc., a developer of precision electrical measurement and test of advanced semiconductor devices, since April 2014, as a member of the board of directors since 1998, and as the chair of the nominating and governance committee, a member of the audit committee and the former chairman of the management development and compensation committee; and as a member of the board of directors of Raytheon Company, a prime contractor on a broad portfolio of defense and related programs for government customers, since 1999, where he chairs the management development and compensation committee and is a member of the governance and nominating committee, a former member of the audit committee and former chair of the public affairs 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, an M.S. 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 experience in marketing, international matters and mergers and acquisitions; his service as a director of multiple other public companies, including as a lead independent director, a chairman of the board, and a member of audit, compensation, and nominating and governance committees.

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Abhijit Y. Talwalkar
Director since 2011
Age 50

Board Committees:
- Compensation (Chair)

Public company directorships in last five years:
- LSI Corporation (former)

Abhijit Y. Talwalkar is the former President and Chief Executive Officer of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets, a position he held from May 2005 until the completion of LSI's merger with Avago Technologies in May 2014. From 1993 to 2005, Mr. Talwalkar was employed by Intel Corporation, a microprocessor manufacturer. 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 previously served as a member of the board of directors of LSI from May 2005 to May 2014 and the U.S. Semiconductor Industry Association, a semiconductor industry trade association from May 2005 to May 2014. He was 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 former chief executive officer of a semiconductor company and his previous role in the semiconductor industry's trade association; his leadership roles at other semiconductor companies that include a customer of ours; and his mergers and acquisitions and marketing experience.

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 United States Securities and Exchange Commission, or the "SEC" beneficially owned as of September 8, 2014, 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 8, 2014, which is the Record Date for the 2014 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 162,441,177 as the number of shares of Lam common stock outstanding on September 8, 2014.

Name of Person or Identity of Group	Shares Beneficially Owned (#)[(1)]	Percentage of Class
5% Stockholders		
JPMorgan Chase & Co. 270 Park Avenue New York, NY 10017	16,319,204[(2)]	10.0%
Ameriprise Financial, Inc. 145 Ameriprise Financial Center Minneapolis, MN 55474 Columbia Management Investment Advisers, LLC, 225 Franklin St. Boston, MA 02110	11,702,044[(3)]	7.2%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	11,166,924[(4)]	6.9%
BlackRock Inc. 40 East 52nd Street New York, NY 10022	8,347,903[(5)]	5.1%
Directors		
Martin B. Anstice (also a Named Executive Officer)	46,098	*
Eric K. Brandt	14,542	*
Michael R. Cannon	10,967	*
Youssef A. El-Mansy	18,873	*
Christine A. Heckart	7,699	*
Grant M. Inman	81,648	*
Catherine P. Lego	37,648	*
Stephen G. Newberry	25,447	*
Krishna C. Saraswat	15,306	*
William R. Spivey	54,026	*
Abhijit Y. Talwalkar	11,417	*
Named Executive Officers ("NEOs")		
Timothy M. Archer	71,796[(6)]	*
Douglas R. Bettinger	1,078	*
Richard A. Gottscho	15,109	*
Sarah A. O'Dowd	28,493	*
All current directors and executive officers as a group (15 people)[(6)]	440,147	*

* Less than 1%.

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(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 8, 2014, as well as restricted stock units, or "RSUs," that will vest within that time period, as follows:

	Shares
Martin B. Anstice	0
Eric K. Brandt	4,888
Michael R. Cannon	3,590
Youssef A. El-Mansy	3,590
Christine A. Heckart	3,590
Grant M. Inman	3,590
Catherine P. Lego	3,590
Stephen G. Newberry	3,590
Krishna C. Saraswat	3,590
William R. Spivey	3,590
Abhijit Y. Talwalkar	3,590
Timothy M. Archer	0
Douglas R. Bettinger	0
Richard A. Gottscho	0
Sarah A. O'Dowd	0
All current directors and executive officers as a group (15 people)	37,198

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 October 31, 2014, subject to continued service on the board as of that date, with immediate delivery of the shares upon vesting. For 2014, Drs. El-Mansy, Saraswat and Spivey; Messrs. Brandt, Cannon, Inman, Newberry and Talwalkar; and Mses. Heckart and Lego each received grants of 3,590 RSUs. These RSUs are included in the tables above.

(2) All information regarding JPMorgan Chase & Co., or "JPMorgan Chase," is based solely on information disclosed in amendment number five to Schedule 13G filed by JPMorgan Chase with the SEC on January 17, 2014 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; and JPMorgan Asset Management (Canada) Inc. According to the Schedule 13G/A filing, of the 16,319,204 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of December 31, 2013, JPMorgan Chase had sole voting power with respect to 14,825,269 shares, had shared voting power with respect to 167,429 shares, had sole dispositive power with respect to 16,080,252 shares and shared dispositive power with respect to 238,952 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of that date.

(3) All information regarding Ameriprise Financial, Inc., or "Ameriprise," and Columbia Management Investment Advisers, LLC, or "Columbia," is based solely on information disclosed in amendment number one to Schedule 13G filed by Ameriprise and Columbia with the SEC on February 13, 2014. According to the Schedule 13G filing, of the 11,702,044 shares of Lam common stock reported as beneficially owned by Ameriprise and Columbia as of December 31, 2013, Ameriprise and Columbia did not have sole voting power with respect to any shares, and had shared voting power with respect to 1,104,682 shares, did not have sole dispositive power with respect to any other shares and shared dispositive power with respect to 11,702,044 shares of Lam common stock reported as beneficially owned by Ameriprise and Columbia as of that date. According to the Schedule 13G filing, Ameriprise, as the parent company of Columbia, may be deemed to beneficially own the shares reported by Columbia in the Schedule 13G filing. Accordingly, the shares reported by Ameriprise in the Schedule 13G filing include those shares separately reported therein by Columbia.

(4) All information regarding The Vanguard Group, Inc., or "Vanguard," is based solely on information disclosed in amendment number one to Schedule 13G filed by Vanguard with the SEC on February 11, 2014. According to the Schedule 13G filing, of the 11,166,924 shares of Lam common stock reported as beneficially owned by Vanguard as of December 31, 2013, Vanguard had sole voting power with respect to 267,999 shares, did not have shared voting power with respect to any other shares, had sole dispositive power with respect to 10,919,725 shares and shared dispositive power with respect to 247,199 shares of Lam common stock reported as beneficially owned by Vanguard as of that date. The 10,540,294 shares of Lam common stock reported as beneficially owned by Vanguard include 208,699 shares beneficially owned by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, as a result of it serving as investment manager of collective trust accounts, and 97,800 shares beneficially owned by Vanguard Investments Australia, Ltd., a wholly–owned subsidiary of Vanguard, as a result of it serving as investment manager of Australian investment offerings.

(5) All information regarding BlackRock Inc., or "BlackRock," is based solely on information disclosed in amendment number six to Schedule 13G filed by BlackRock with the SEC on January 29, 2014 on behalf of BlackRock and its subsidiaries: BlackRock (Luxembourg) S.A.; BlackRock (Netherlands) B.V.; BlackRock Advisors (UK) Limited; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Ireland Limited; BlackRock Financial Management, Inc.; BlackRock Fund Advisors; BlackRock Fund Management Ireland Limited; BlackRock Fund Managers Ltd, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd; BlackRock Investment Management, LLC; BlackRock Japan Co Ltd; and BlackRock Life Limited. According to the Schedule 13G filing, of the 8,347,903 shares of Lam common stock reported as beneficially owned by BlackRock as of December 31, 2013, BlackRock had sole voting power with respect to 6,898,386 shares, did not have shared voting power with respect to any other shares, had sole dispositive power with respect to 8,347,903 shares and did not have shared dispositive power with respect to any other shares of Lam common stock reported as beneficially owned by BlackRock as of that date.

(6) Includes 4,238 shares of common stock held indirectly in a 401(k) plan and 501 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 consider 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. A list of key corporate governance practices is provided in the "*Proxy Statement Summary*" above.

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/corporate-governance.cfm*. 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-governance.cfm*.

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/corporate-governance.cfm*.

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 address conflicts of interest, safeguarding of Company assets, protection of confidential information and anti-corruption.

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 and prohibiting hedges and pledges of Company stock.

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 those of other board members.

Prior to recommending that an incumbent non-employee director be nominated for reelection to the board, the committee reviews the experiences, skills and qualifications of the 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). To be nominated, the candidate must agree to tender, promptly following the annual meeting at which they are elected or re-elected as directors, an irrevocable conditional resignation that will be effective upon (i) the director's failure to receive

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the required majority vote at the next annual meeting at which the nominee faces re-election and (ii) the board's acceptance of such resignation. 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, screens, 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. Nominations for election by the stockholders 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 "*Voting and Meeting Information – Other Meeting Information – Stockholder-Initiated Proposals and Nominations for 2015 Annual Meeting*" section below.

Director Independence Policies

Board independence requirements. Our corporate governance guidelines require that at least a majority of the board members be independent. No director will qualify as "independent" unless the board affirmatively determines that the director qualifies as independent under the NASDAQ rules and 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 non-employee or outside directors and 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, the "Code," and Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or the "Exchange Act." 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, has the complete authority to retain, at the Company's expense, and 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 from June 2005 to January 2012. The board believes that this is the appropriate board 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. In recent years the board has conducted this assessment annually. 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 or retires from 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 the lesser of 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, 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 2014 or have a period of time remaining under the program to do so.

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 phone (855-208-8578) or internet (through the Company's third party provider web site at *www.lamhelpline.ethicspoint.com*). 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).

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 2014. Our board of directors held a total of eight meetings during fiscal year 2014.

We expect our directors to attend the annual meeting of stockholders each year. All individuals who were directors as of the 2013 annual meeting of stockholders attended the 2013 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.

Current Committee Memberships			
Name	Audit	Compensation	Nominating and Governance
Eric K. Brandt	Chair[1]		
Michael R. Cannon	x		x
Youssef A. El-Mansy		x	
Christine A. Heckart		x	
Grant M. Inman		x	Chair
Catherine P. Lego	x[2]		x[2]
Krishna C. Saraswat			x
William R. Spivey	x		x
Abhijit Y. Talwalkar		Chair	
Total Number of Meetings Held in FY2014	**8**	**5**	**4**

(1) Mr. Brandt was appointed as chair of the audit committee effective February 2014.
(2) Ms. Lego was appointed as a member of the audit and nominating and governance committees effective February 2014. Until that time, she served as chair of the audit committee.

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 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 Mr. Brandt and Ms. Lego, both members of the committee, are "financial experts" as defined in SEC rules.

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

- Appoint and provide for the compensation for the Company's independent registered public accounting firm, the "Accounting Firm;" 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; and provide management with guidelines for the fees payable to the Accounting Firm and approve any fees in excess of the guidelines
- Oversee the work and independence, and evaluate the performance, of the Accounting Firm, and if so determined by the committee, replace the Accounting Firm
- Meet with management and the Accounting Firm to discuss the annual financial statements and the Accounting Firm's report on the financial statements 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; following such discussions, if so determined by the committee, recommend to the board that the annual financial statements be included in the Company's annual report
- 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); evaluate the performance of the internal auditors (if any) and review internal audit performance with the chief financial officer
- Review and oversee, on an ongoing basis, for potential conflict of interest situations, all transactions required to be disclosed pursuant to item 404 of Regulation S-K and any other transaction involving an executive or board member
- 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; appoint and remove members of the management committee for treasury strategy matters

Compensation committee. The purpose of the compensation committee is to discharge certain responsibilities of the board relating to executive compensation, to oversee incentive, equity-based 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 compensation committee is authorized to delegate such of its authority and responsibilities as the committee deems proper and consistent with legal requirements to members of the committee or to any other committee of the board. The committee may also authorize one or more officers of the Company to designate employees to be recipients of rights or options created by the Company and to determine the number of such rights or options to be received by such employees in accordance with the provisions of the Delaware General Corporation Law; provided, however, that the Committee must approve grants of any such options or rights made to executive officers.

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 and compensation committee member independence and who are outside directors for purposes of section 162(m) of the Code.

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

- Review and approve the Company's executive officer compensation philosophy, objectives and strategies and the appropriate peer group companies for purposes of evaluating the Company's compensation competitiveness
- Cause the board to conduct a periodic performance evaluation of the chief executive officer; recommend to the independent members of the board (as determined under both the NASDAQ listing standards and Section 162(m) of the Code) corporate goals and objectives under the Company's compensation plans, compensation packages and compensation payouts for the CEO
- Review and recommend for appropriate board action all cash, equity-based and other compensation packages and compensation payouts applicable to the chairman, vice-chairman and other members of the board
- Annually review with the CEO the performance of the Company's other executive officers in light of the Company's executive compensation goals and

objectives and approve the compensation packages and compensation payouts for other executive officers
- Establish stock ownership guidelines applicable to executive officers, and recommend for approval by the independent members of the board guidelines for the chairman, the vice-chairman and all other directors
- 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 reasonable compensation of and the work of any compensation consultants, independent counsel and advisors retained by the committee
- Prepare the committee report required by the SEC rules for inclusion in the Company's annual proxy statement; meet with management and any independent compensation consulting advisers to discuss the compensation discussion and analysis to be included in the Company's annual proxy statement and then recommend to the Board whether the compensation and discussion and analysis should be included in the Company's proxy statement

Nominating and governance committee. The purposes of the nominating and governance committee are 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.

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'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 stockholder 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, which may be part of the board's self-evaluation
- 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 will consider for nomination persons properly nominated by stockholders in accordance with the Company's bylaws and other procedures described in the "*Voting and Meeting Information – Other Meeting Information – Stockholder - Initiated Proposals and Nominations for 2015 Annual Meeting*" section below. 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 is actively engaged in risk oversight. Management regularly reports to the board on its risk assessments and risk mitigation strategies for the major risks of our business. Generally the board exercises its oversight responsibility directly; however, in specific cases, responsibility has been delegated to board committees. Committees that have been charged with risk oversight regularly report to the board on those risk matters within their areas of responsibility. Risk oversight responsibility has been delegated to board committees as follows:

- Our audit committee oversees risks related to the Company's accounting and financial reporting,

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internal controls, and the auditing of our annual financial statements. The audit committee also oversees risks related to our independent registered public accounting firm and our internal audit function.
- Our compensation committee oversees risks related to the Company's equity, and executive compensation programs and plans.
- Our nominating and governance committee oversees risks related to director independence, board and board committee composition and CEO succession planning.

Assessment of Compensation Risk

Management conducted a compensation risk assessment in 2014 and concluded that the Company's current employee compensation programs are not reasonably likely to have a material adverse effect on the Company's business.

Director Compensation

Our director compensation is designed to attract and retain high caliber directors and to align director interests with those of stockholders. Director compensation is reviewed and determined annually by the board (in the case of Messrs. Newberry and Anstice, by the independent members of the board), upon recommendation from the compensation committee. Non-employee director compensation and Mr. Newberry's compensation are described below. Mr. Anstice, whose compensation as CEO is described below under "*Executive Compensation and Other Information – Compensation Discussion and Analysis,*" does not receive additional compensation for his service on the board.

Non-employee director compensation. Non-employee directors receive annual cash retainers and equity awards. Committee chairs, the lead independent director and committee members receive additional cash retainers. Non-employee directors who join the board or a committee midyear receive prorated cash retainers. Our non-employee director compensation plans are based on service during the calendar-year; however, SEC rules require us to report compensation in this proxy statement on a fiscal-year basis. Cash compensation paid to non-employee directors for the fiscal year ended June 29, 2014 is shown in the table below, together with the annual cash compensation program components in effect for calendars years 2013 and 2014.

Annual Retainers	Calendar Year 2014	Calendar Year 2013	Fiscal Year 2014
Non-employee Director	$60,000	$60,000	$60,000
Lead Independent Director	$20,000	$20,000	$20,000
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

Each non-employee director also receives an annual equity grant on the first Friday following the annual election (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 $190,000 (the number of RSUs subject to the award is determined by dividing $190,000 by the closing price 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 October 31 in the year following the grant and are subject to the terms and conditions of the Company's 2007 Stock Incentive Plan, as amended, or "2007 Plan," and the applicable award agreements.

These grants immediately vest in full: (i) if a non-employee director dies or becomes subject to a "disability" (as determined pursuant to the 2007 Plan), (ii) upon the occurrence of a "Change in Control" (as defined in the 2007 Plan), or (iii) on the date of the annual meeting if the annual meeting during the year in which the award was expected to vest occurs prior to the vest date and the non-employee director is not re-elected or retires or resigns effective immediately prior to the annual meeting. Non-employee directors who commence service after the annual award has been granted receive a pro-rated grant based on the number of regular board meetings remaining in the year as of the date of the director's election.

On November 8, 2013, each director other than Mr. Anstice received a grant of 3,590 RSUs for services during calendar year 2014. Unless there is an acceleration event, these RSUs will vest in full on October 31, 2014, subject to the director's continued service on the board.

Chairman compensation. Mr. Newberry, who served as vice-chairman from December 7, 2010 until November 1, 2012 and since such date has served as chairman, has a different compensation arrangement than the other directors. Mr. Newberry entered into an employment agreement with the Company commencing on January 1, 2012 and expiring on December 31, 2014, subject to the right of earlier termination in certain circumstances. The agreement provides for annual compensation of $500,000, subject to adjustment at the discretion of the independent members of the board. For calendar year 2014 his annual compensation was adjusted to $530,000. His annual compensation for calendar year 2013 was paid partly in equity and partly in cash as follows: he received an RSU grant (equal to one-half of the grant value of the annual non-employee director award) and a cash retainer on the same terms as non-employee directors' annual equity grants and cash retainers, and he received the remainder of his annual compensation in cash. His annual compensation for calendar year 2014 is paid partly in equity and partly in cash as follows: he receives an RSU grant (equal to the grant value of the annual non-employee director award) and a cash retainer on the same terms as non-employee directors' annual equity grants and cash retainers, and he receives the remainder of his annual compensation in cash. Mr. Newberry is eligible to participate in the Company's Elective Deferred Compensation Plan that is generally applicable to executives of the Company, subject to the general terms and conditions of such plan.

Under his contract, if there is an involuntary termination (including an involuntary termination in connection with a change in control), a death or disability (as each term is defined in Mr. Newberry's agreement), Mr. Newberry will be entitled to (i) 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); (ii) certain medical benefits; and (iii) vesting of certain stock option and restricted stock unit awards. If Mr. Newberry voluntarily resigns, he will be entitled to no additional benefits (except as he may be eligible for under the Retiree Health Plans). Unvested RSUs will be cancelled on the date of termination.

The following table shows compensation for fiscal year 2014 for directors other than Mr. Anstice:

Director Compensation for Fiscal Year 2014

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)(13)	All Other Compensation ($)(2)	Total ($)
Stephen G. Newberry	382,154(3)	189,732	19,094	590,979
Eric K. Brandt	85,000(4)	189,732	0	274,732
Michael R. Cannon	77,500(5)	189,732	0	267,232
Youssef A. El-Mansy	70,000(6)	189,732	21,434	281,166
Christine A. Heckart	70,000(7)	189,732	0	259,732
Grant M. Inman	100,000(8)	189,732	21,434	311,166
Catherine P. Lego	77,500(9)	189,732	20,309	287,540
Krishna C. Saraswat	65,000(10)	189,732	0	254,732
William R. Spivey	77,500(11)	189,732	21,434	288,666
Abhijit Y. Talwalkar	80,000(12)	189,732	0	269,732

(1) The amounts shown in this column represent the grant date fair value of unvested restricted stock unit awards granted during fiscal year 2014 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 restricted stock units in fiscal year 2014 are set forth in Note 11 to the Consolidated Financial Statements of the Company's annual report on Form 10-K for the fiscal year ended June 29, 2014.

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

(3) Mr. Newberry received $382,154, representing his $60,000 annual retainer as a director and the remainder of his annual cash compensation under his employment agreement.

(4) Mr. Brandt received $85,000, representing his $60,000 annual retainer and $25,000 as the chair of the audit committee.

(5) Mr. Cannon received $77,500, representing his $60,000 annual retainer, $5,000 as a member of the nominating and governance committee and $12,500 as a member of the audit committee.

(6) Dr. El-Mansy received $70,000, representing his $60,000 annual retainer and $10,000 as a member of the compensation committee.

(7) Ms. Heckart received $70,000, representing her $60,000 annual retainer and $10,000 as a member of the compensation committee.

(8) Mr. Inman received $100,000, representing his $60,000 annual retainer, $20,000 as lead independent director, $10,000 as a member of the compensation committee and $10,000 as the chair of the nominating and governance committee.

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(9) Ms. Lego received $77,500, representing her $60,000 annual retainer, $12,500 as a member of the audit committee and $5,000 as a member of the nominating and governance committee.
(10) Dr. Saraswat received $65,000, representing his $60,000 annual retainer and $5,000 as a member of the nominating and governance committee.
(11) Dr. Spivey received $77,500, representing his $60,000 annual retainer, $12,500 as a member of the audit committee and $5,000 as a member of the nominating and governance committee.
(12) Mr. Talwalkar received $80,000, representing his $60,000 annual retainer and $20,000 as chair of the compensation committee.
(13) On November 8, 2013, Mr. Newberry and each non-employee director who was on the board received an annual grant of 3,590 RSUs based on the $52.85 closing price of Lam's common stock and the target value of $190,000, rounded down to the nearest 10 shares.

Other benefits. In addition, any members of the board enrolled in the Retiree Health Plans as of or prior to December 31, 2012 can continue to participate even after retirement from the board in the Company's Retiree Health Plans. The board eliminated this benefit for any person who became 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 29, 2014, 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.

Director Compensation for Fiscal Year 2014

Name	Accumulated Post-Retirement Benefit Obligation, as of June 29, 2014 ($)
Stephen G. Newberry	560,000
Eric K. Brandt	0
Michael R. Cannon	0
Youssef A. El-Mansy	502,000
Christine A. Heckart	0
Grant M. Inman	398,000
Catherine P. Lego	443,000
Krishna C. Saraswat	0
William R. Spivey	713,000
Abhijit Y. Talwalkar	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 2014, with the exception of one late Form 4 for Martin B. Anstice filed on February 20, 2014 to report the withholding of 18,251 shares of Lam Research common stock to cover the taxes due on vesting of a restricted stock unit award on February 7, 2014.

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:

Our CD&A discusses compensation earned by our fiscal year 2014 "Named Executive Officers," or "NEOs," who are as follows:

Figure 1. FY2014 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
Richard A. Gottscho	Executive Vice President, Global Products
Sarah A. O'Dowd	Senior Vice President, Chief Legal Officer

I. RECENT CHANGES TO OUR EXECUTIVE COMPENSATION PROGRAM

The compensation committee has made a number of changes to our executive compensation program that are described in more detail in subsequent sections. During fiscal year 2014, these actions included the following:

Figure 2. Recent Executive Compensation Program Changes

Topic	Action	Rationale
Long-Term Incentive Program or "LTIP" Components	Effective with the 2014 LTIP, replaced the cash component (50% of total) with a program entirely composed of equity See "*Long-Term Incentive Program – Design*" below for additional information regarding the impact of this change to the Company's "*Summary Compensation Table*"	Use equity to facilitate an effective program design for compensation measured in part by relative stock performance (versus the prior cash program, which was designed to be effective in the face of high volatility across business cycles); further align executive interests more directly with stockholders
LTIP – Equity Vehicles and Metric	Effective with the 2014 LTIP, introduced a new LTIP equity vehicle – Market-Based Performance Restricted Stock Units, or "Market–Based PRSUs" – designed to reward eligible participants based on the performance of our stock price relative to the Philadelphia Semiconductor Sector Index (SOX)	Establish a performance-based vehicle to further support our strategy of linking executive rewards to the creation of stockholder value
LTIP – Performance Period	Effective with the 2014 LTIP, extended the performance period for the program from two to three years Note: In conjunction with extending the performance period, a one-time two-year LTIP award of the same equity vehicles under comparable terms (see Figure 16 below for further details) was made under the calendar year 2014 LTIP called the "Gap Year Award" See "Long-Term Incentive Program – Design" below for additional information regarding the impact of these changes to the employee and the Company's "*Executive Compensation Tables*"	Align our executive officers' interests with those of our stockholders over a longer period; increase retention value for our executive officers Ensure that participants are not left without any long-term plan payments in calendar year 2016 as a result of the transition from a two- to three-year LTIP
Annual Incentive Plan or "AIP" – Goal Setting	Effective with the 2014 AIP, goal setting for the metrics underlying the program is now done on an annual basis	Annual goal setting aligns to our business planning cycle and is possible given that volatility has lessened across business cycles

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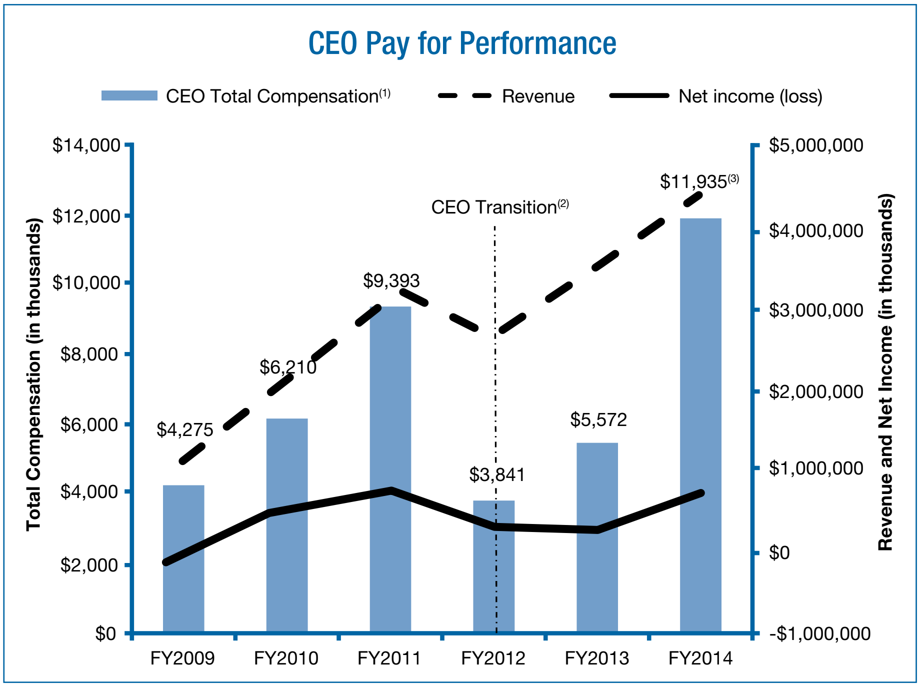
II. OVERVIEW OF EXECUTIVE COMPENSATION

To align with stockholders' interests, our executive compensation program is designed to foster a pay-for-performance culture and achieve the executive compensation objectives set forth in "*Executive Compensation Philosophy and Program Design – Executive Compensation Philosophy*" below. 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 3 below.

Figure 3. FY2009-FY2014 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.

(3) The CEO Total Compensation for fiscal year 2014 reflects an award covering a three-year performance period as compared to the two-year period in all prior fiscal years. The one-time Gap Year Award, with a value of $3,074,271 reflected in the "*Summary Compensation Table*" below, is not included in fiscal year 2014 CEO Total Compensation in order to allow readers to more easily compare compensation in prior and future periods and better reflect the compensation payable in any fiscal year following the transition. See "*Long-Term Incentive Program – Design*" for additional information regarding the impact of the Gap Year Award.

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.

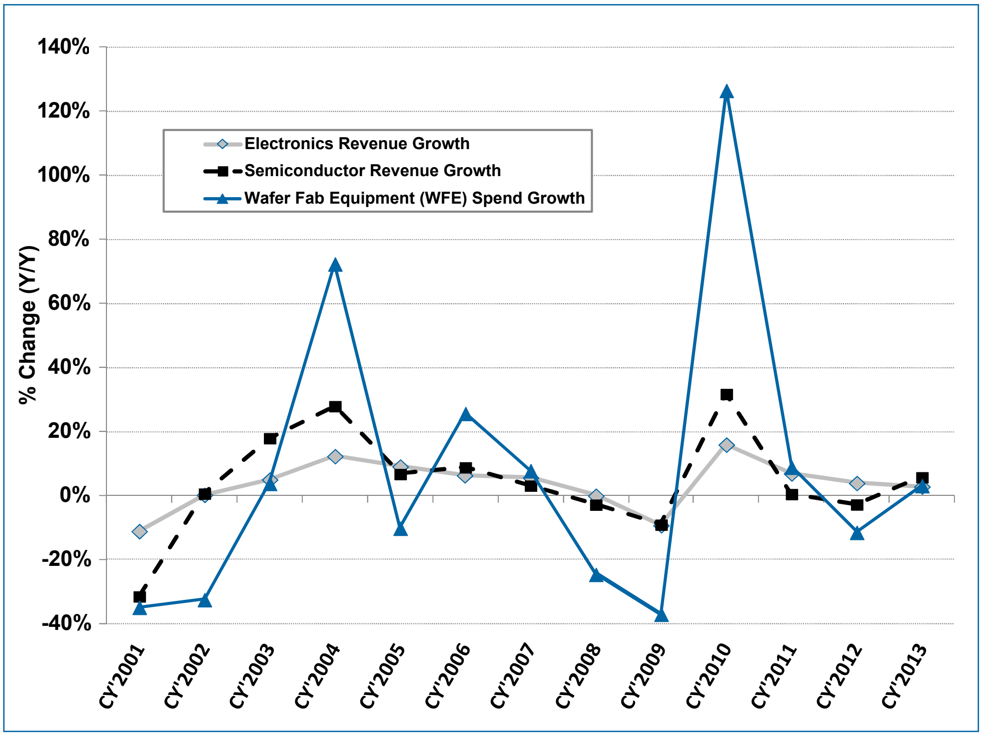
Our Business, Our Industry Environment and Our Financial Performance

Lam Research has been an innovative supplier of wafer fabrication equipment and services to the semiconductor industry for more than 30 years. Our customers include semiconductor manufacturers that make memory, microprocessors, and other logic integrated circuits for a wide range of consumer and industrial electronics; including cell phones, computers, memory storage devices, and networking equipment.

Our market-leading products are designed to help our customers build the smaller, faster and more power-efficient devices that are necessary to power the capabilities required by end users. The process of integrated circuits fabrication consists of a complex series of process and preparation steps and Lam's product offerings in deposition, etch and clean address a number of the most critical steps in the fabrication process. 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. Figure 4 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 2001 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. More recently with consolidation in the customer base, the cyclical behavior in the industry appears to have diminished somewhat. With a reduced number of customers, the volatility in the industry has lessened but our results are more dependent on the spending of any individual customer over certain periods. As a result of such changes, our executive compensation program has been adjusted as described in "*I. Recent Changes to Our Executive Compensation Program*" above and in further detail in the below sections. However, previous programs in place with payouts in the current and next fiscal year were designed to respond to such significant volatility in our results.

Figure 4. Revenue Growth by Industry



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

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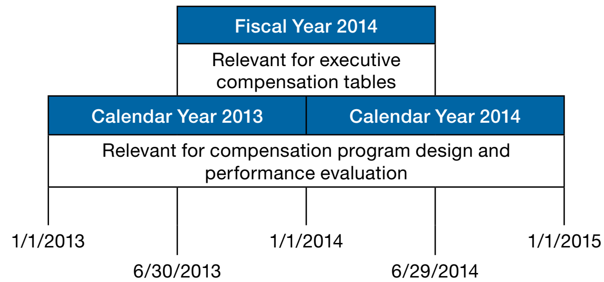
Although we have a June fiscal year end, our executive compensation program is designed and oriented on a calendar-year basis to correspond with our calendar-year-based business planning. This CD&A reflects a calendar-year orientation, as shown in Figure 5 below. The Executive Compensation Tables at the end of this CD&A are based on our fiscal year, as required by SEC regulations.

Figure 5. Executive Compensation Calendar-Year Orientation



In calendar year 2013, demand for semiconductor equipment improved slightly relative to calendar year 2012, as device manufacturers invested in leading edge production capacity to support healthy demand for mobile electronics. Against this backdrop, Lam delivered record financial performance and successfully completed the integration of Novellus Systems, Inc., or "Novellus," executing all target integration commitments on or ahead of schedule.

Highlights for calendar year 2013:

- Achieved record revenues of approximately $4 billion for the calendar year, representing a 25% increase over calendar year 2012;
- Generated operating cash flow of $458 million, which represents approximately 12% of revenues;
- Repurchased approximately 7.2 million shares of common stock under the board of directors-approved $1.6 billion and $250 million authorizations, returning approximately $317 million to stockholders; and
- Fully executed on-schedule targeted cost and revenue synergies resulting from the 2012 acquisition of Novellus, including delivering $100 million in annualized cost savings and approximately $130 million in revenue synergies from the merger by the end of calendar year 2013.

Investments for wafer fabrication equipment spending have remained healthy in the first half of calendar year 2014 as customers transition to next generation devices, which are increasingly complex and more costly to produce.

Lam has continued to generate solid operating income and cash generation with revenues of $2.5 billion and cash flows from operations of $536 million earned from the March and June 2014 quarters combined. In April 2014, we announced a $1 billion capital return program, including the initiation of the Company's first ever quarterly dividend (with future dividend payments subject to board review and approval), reflecting the Board's confidence in future cash generation and Lam's commitment to enhancing stockholder value.

Executive Compensation Philosophy and Program Design

Executive Compensation Philosophy

The philosophy of our compensation committee that guided this year's awards and payout decisions is that our executive compensation program should:

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

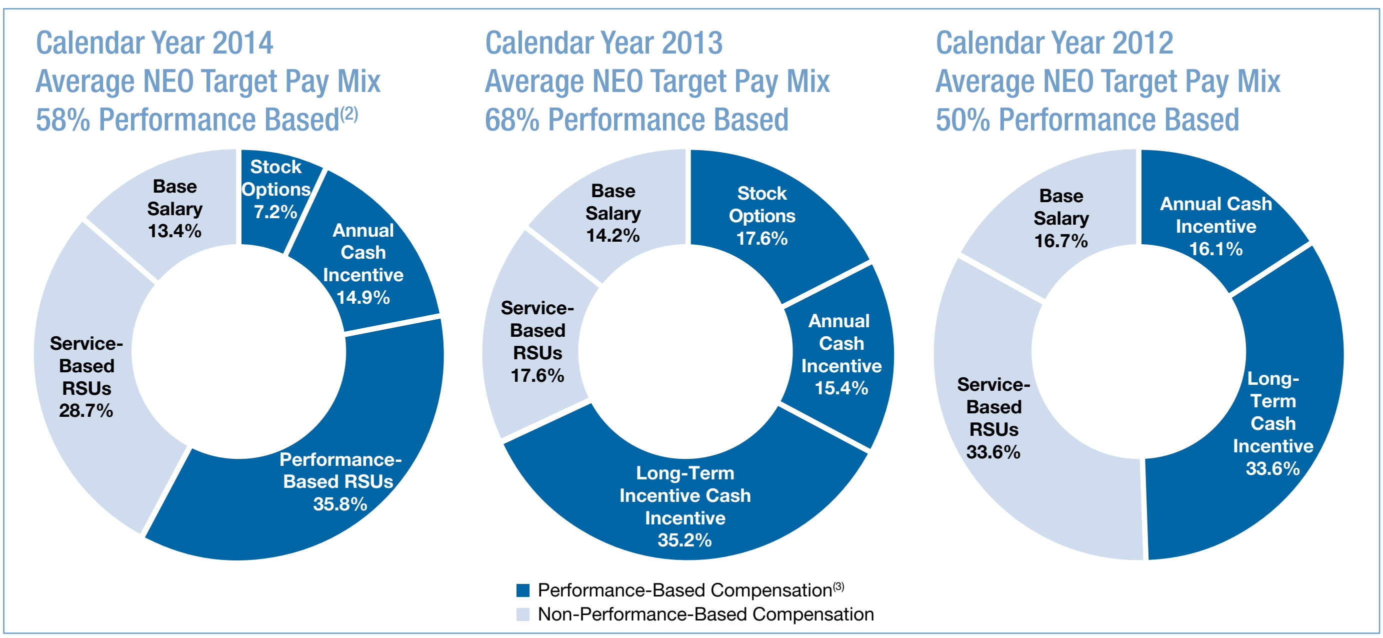
To achieve these objectives, our compensation committee authorized the following strategies:

- reference appropriate market data
- respond to fluctuating business cycle changes
- use a mix of equity award types (restricted stock units, stock options and market-based performance restricted stock units)
- provide an appropriate mix of short-term and long-term rewards
- balance these strategies to reach an optimal 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 or "AIP," and a long-term incentive program or "LTIP," as well as stock ownership guidelines and a compensation recovery, or "clawback," policy. Historically, our LTIP had a cash and equity component. In February 2014, our compensation committee approved a new LTIP design in which the cash component was replaced with equity. Details of the program are explained under "*Long-Term Incentive Program – Design*" in section III below. As illustrated in Figure 6 below, our program design is weighted towards performance and stockholder value. The performance-based program components include AIP cash payouts and market-based equity and stock option awards under the LTIP.

Figure 6. NEO Compensation Target Pay Mix Averages[1]



(1) Data in Figure 6 for the calendar year 2014, 2013 and 2012 charts is for the then-applicable NEOs (i.e., fiscal year 2012 NEOs are represented in the calendar year 2012 chart, etc.).

(2) The one-time Gap Year Awards are not included in 2014 target pay in order to allow readers to more easily compare pay mixes relative to prior periods. See "*Long-Term Incentive Program – Design*" below for additional information regarding the impact of the Gap Year Award.

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

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Our stock ownership guidelines for our NEOs are shown in Figure 7 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 to one of the below positions. Increased requirements due to promotions must be achieved within three years of promotion. At the end of fiscal year 2014, all of the then-employed NEOs were in compliance with our stock ownership guidelines or have a period of time remaining under the guidelines to do so.

Figure 7. 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

Compensation Recovery, or "Clawback" Policy

Our executive officers covered by Section 16 of the Exchange Act, or "Section 16 officers," are subject to the Company's compensation recovery, or "clawback," policy. The clawback policy was adopted in August 2014 and will enable us to recover the excess amount of cash incentive-based compensation issued starting in calendar year 2015 to covered individuals when a material restatement of financial results are required within 36 months of the issuance of the original financial statements. A covered individual's fraud must have materially contributed to the need to issue restated financial statements in order for the clawback policy to apply to that individual. The recovery of compensation is not the exclusive remedy available in the event that the clawback policy is triggered.

Highlights of Preferred Compensation-Related Policies, Practices and Provisions

We maintain preferred policies, practices and provisions related to or in our compensation program, which include the following:

Figure 8. Preferred Compensation-Related Policies, Practices and Provisions

What We Do
Pay for Performance (Pages 27, 32-33, 37) – A majority of our executive officer compensation is not guaranteed, but rather tied to key financial performance metrics and to changes in the performance of our stock relative to the performance of an industry index
Three Year Performance Period for Long-term Incentive Program (Pages 35-36) – Our current long-term incentive program is designed to pay for performance over a period of three years
Absolute and Relative Performance Metrics (Pages 32-33, 35, 37) – Our annual incentive program for executive officers includes the use of absolute performance factors and our long-term incentive program for executive officers includes the use of both absolute and relative performance factors
Balance of Annual and Long-term Incentives – Our incentive programs provide a balance of annual and longer-term incentives
Different Performance Metrics for Annual and Long-Term Incentive Programs (Pages 32-33, 35, 37) – Our annual and long-term incentive programs use different performance metrics
Capped Amounts (Pages 32, 36-38) – Amounts that can be earned under the annual and long-term incentive programs are capped
Compensation Recovery/Clawback Policy (Page 28) – We have a policy in which we can recover the excess amount of cash incentive-based compensation granted and paid to our Section 16 officers
Prohibit Option Repricing – Our stock incentive plans prohibits option repricing without stockholder approval
Hedging and Pledging Policy (Page 15) – We have a policy applicable to our NEOs and members of our board that prohibits pledging, "short sales," purchasing or selling "put" or "call" options (other than stock options issued under our equity plans) and other hedging transactions with respect to our equity securities.
Stock Ownership Guidelines (Pages 17, 28) – We have stock ownership guidelines for each of our executive officers and certain other senior executives; each of our NEOs has met his or her individual ownership level under the current program or has a period of time remaining under the guidelines to do so
Independent Compensation Advisor (Page 29) - The compensation committee benefits from its utilization of an independent compensation advisor retained directly by the committee that provides no other services to the Company
Stockholder Engagement – We engage with stockholders and stockholder advisory firms to obtain feedback concerning our compensation program
What We Don't Do
Tax "Gross-Ups" for Perquisites, Other Benefits or upon a Change in Control (Pages 45-46, 50-54) – Our executive officers do not receive tax "gross-ups" for perquisites, other benefits or upon a change in control(1)
Single-trigger Change in Control Provisions (Pages 50-52) – None of our executive officers have single-trigger change in control agreements

(1) Our executive officers may receive tax gross-ups in connection with relocation benefits that are widely available to all of our employees.

III. 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 a formal charter. The committee[1] oversees the compensation programs in which our chief executive officer and his direct reports (including all other NEOs) participate. The independent members of our board of directors approve the compensation packages and payouts for our CEO. The CEO is not present for any decisions regarding his compensation packages and payouts. A copy of the committee's charter can be viewed at *http://investor.lamresearch.com*.

Committee responsibilities include, but are not limited to: reviewing and approving the Company's executive compensation philosophy, objectives and strategies; reviewing and approving the appropriate peer group companies for purposes of evaluating the Company's compensation competitiveness; causing the board of directors to perform a periodic performance evaluation of the CEO; recommending to the independent members of the board of directors (as determined under both NASDAQ's listing standards and Section 162(m) of the Internal Revenue Code of 1986, as amended) corporate goals and objectives under the Company's compensation plans, compensation packages (e.g., annual base salary level, annual cash incentive award, long-term incentive award and any employment agreement, severance arrangement, change-in-control arrangement, equity grant, or special or supplemental benefits, and any material amendment to any of the foregoing) as applicable to the CEO and compensation payouts for the CEO; annually reviewing with the CEO the performance of the Company's other executive officers in light of the Company's executive compensation goals and objectives and approving the compensation packages and compensation payouts for such individuals; 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 from us 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 our chairman and our president and chief executive officer, means an action or decision by the independent members of our board of directors upon the recommendation of the committee and, in the case of all other NEOs, an action or decision by the compensation committee.*

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Role of Management

Our CEO, with support from our human resources and finance organizations, develops recommendations for the compensation of our other executive officers. 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 Company'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 frequently attends committee meetings at the request of the committee, but leaves the meeting for any deliberations related to 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 stockholder 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 9 below summarizes how the Peer Group companies compare to the Company:

Figure 9. 2014 Peer Group Revenue and Market Capitalization

Metric	Lam Research ($M)	Target for Peer Group	Peer Group Median ($M)
Revenue (last completed four quarters as of July 31, 2013)	3,599	0.5 to 2 times Lam	4,390
Market Capitalization (30-day average as of July 31, 2013)	7,753	0.33 to 3 times Lam	10,742

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in August 2013 and retained without change for calendar year 2014 compensation decisions. Our Peer Group consisted of the companies listed in Figure 10 below.

Figure 10. CY2014 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.

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 Radford Technology Survey data. 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 consistent with market norms.

Base pay levels for each executive officers are generally set with reference to the middle of the market range (40th-60th percentile), and variable pay target award opportunities for each executive officer are generally designed to deliver at or above market median (50th-75th percentile) compensation for target performance. For those executive officers new to their roles, their variable pay target award opportunities may generally be designed to deliver below market compensation. 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 comparisons of pay levels for similar skill levels or positions, our goals to attract and retain executive talent, Company performance and general market conditions.

2013 Say on Pay Voting Results; Company Response

We evaluate our executive compensation program annually. Among other things, we consider the outcome of our most recent Say on Pay vote and any feedback we receive from our stockholders. In 2013, our stockholders voted to approve our 2013 advisory vote on executive compensation, with 82.44% of the votes cast in favor of the advisory proposal. Based on its evaluation, the committee decided to make changes to our executive compensation program described in section I above to further strengthen our pay for performance alignment and to bring certain aspects of our long-term incentive program more in line with evolving market practices. Additionally, we have continued efforts to further enhance our disclosure regarding our compensation program and practices.

IV. PRIMARY COMPONENTS OF NAMED EXECUTIVE OFFICER COMPENSATION; CALENDAR YEAR 2013 COMPENSATION PAYOUTS; CALENDAR YEAR 2014 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 2013 and the forward-looking actions taken with respect to our NEOs in calendar year 2014.

Base Salary

We believe the purpose of base salary is to provide competitive compensation to attract and retain top talent and to provide compensation to employees, including our NEOs, with a fixed and fair 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 2014 and 2013, base salaries for then-employed NEOs other than our CEO in 2013 were determined by the committee in February of each year and became effective on March 31 of that year, based on the factors described above. The base salary for Mr. Anstice for calendar year 2014 was increased effective March 31, 2014 to a more competitive level relative to our Peer Group. The base salary of Dr. Gottscho for calendar year 2014 was also increased effective March 31, 2014 based on his performance, internal pay comparisons, and the importance of his position to our ongoing business success. Other NEO changes were due to individual performance. The base salaries of the NEOs for calendar years 2014 and 2013 are as follows:

Figure 11. NEO Annual Base Salaries

Named Executive Officer	Annual Base Salary as of March 31, 2014 ($)	Annual Base Salary as of March 31, 2013 ($)
Martin B. Anstice	900,000	775,000
Timothy M. Archer	600,000	575,000
Douglas R. Bettinger	525,000	485,000[(1)]
Richard A. Gottscho	525,000	460,000
Sarah A. O'Dowd	415,000	406,000

(1) 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.

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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 NEO 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 2014 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/Individual 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 2013, for calendar year 2013, the committee set 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% 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. Non-GAAP operating income is considered useful to investors for analyzing business trends and comparing performance to prior periods. By excluding certain costs and expenses that are not indicative of core results, non-GAAP results are more useful for analyzing business trends over multiple periods.

As a guide for using negative discretion against the Funding Factor results and 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 NEOs, and
- the Organization/Individual Performance Factors, which are based on organization-specific metrics and stretch goals and individual performance, 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/Individual 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/Individual Performance Factors are set annually or semi-annually: annually for Corporate and Organization/Individual Performance Factor for 2014, annually for Organization/Individual Performance Factor for 2013 and semi-annually for Corporate Performance Factor for 2013. Goals are set depending on the business environment, to ensure that they are stretch goals regardless of changes in the business environment. Accordingly, as business conditions improve, goals are set to require better performance, and as business conditions deteriorate, goals are set to require stretch performance under more difficult conditions. Although the Corporate

[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 GAAP results for applicable quarters during fiscal years 2014 and 2013, restructuring charges, integration-related costs, costs associated with rationalization of certain product configurations, amortization related to intangible assets acquired in the Novellus transaction, acquisition-related inventory fair value impact, expenses associated with the synthetic lease impairment, impairment of a long-lived asset, and costs associated with the disposition of business.*

Performance Factor metrics and goals were set on a semi-annual basis in 2013, they remained the same throughout the entire calendar 2013 performance period. Beginning in calendar year 2014, metrics and goals are set on an annual basis.

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 NEOs as part of the Corporate and Organization/Individual Performance Factors.

We use organization-specific metrics 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 12. Annual Incentive Program Payouts

Calendar Year	Average NEO's Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2013	105	Healthy demand for semiconductor equipment with stable economic conditions and favorable supply demand conditions; delivered on annualized cost savings targets defined in integration plans.
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

Calendar year 2013 annual incentive program parameters and payout decisions

In February 2013, the committee set the calendar year 2013 target award opportunity, the metrics and goals for the Funding Factor, the metrics and semi-annual goals (revisited in August 2013) for the Corporate Performance, and the metrics and goals for the Organization/Individual Performance Factors for each then-employed NEO were established. In February 2014, the committee considered the actual results under these factors and made payout decisions for the calendar year 2013 program, all as described below.

2013 Annual Incentive Program Target Award Opportunities. The annual incentive program target award opportunities for calendar year 2013 for each NEO were as set forth in Figure 13 below in accordance with the principles set forth above under "Peer Group Practices and Survey Data."

2013 Annual Incentive Program Corporate Performance Factor. In February 2013, the committee set non-GAAP operating income as a percentage of revenue as the metric for the first half of calendar year 2013 Corporate Performance Factor, and set:

- a goal of 18% of revenue for the first half of the year, which was designed to be a stretch goal, and which would result in a Corporate Performance Factor of 1.00,
- a minimum Corporate Performance Factor of 0.20, and
- a maximum Corporate Performance Factor of 1.50.

In August 2013, the committee revisited and retained the same metric and goal for the Corporate Performance Factor for the second half of the year. These goals were designed to be stretch goals. Actual non-GAAP operating income percentage was 11.8% of revenue for the first half of calendar year 2013 (resulting in a factor of 0.69 for the first half) and 17.5% of revenue for the second half (resulting in a factor of 0.975 for the second half). This performance resulted in a total Corporate Performance Factor for calendar year 2013 of 0.833.

2013 Annual Incentive Program Organization/Individual Performance Factor. For 2013, the organization-specific performance metrics and goals for each NEO's Organization/Individual Performance Factor were set on an annual basis, and were designed to be stretch goals. The Organization/Individual Performance Factor for Mr. Anstice for calendar year 2013 was based on the average of the Organization/Individual Performance Factors of all of the organizations reporting to him. For all other NEOs, their respective Organization/Individual Performance Factors were based on market share and/or strategic, operational and organizational performance goals specific to the organizations they managed, as described in more detail below.

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The committee considered the accomplishment of actual organizational performance against the established goals described below during 2013.

- Mr. Archer's Organization/Individual Performance Factor for calendar year 2013 was based on the accomplishment of market share, strategic, operational and organizational development goals for the global sales organization, the customer support business group and global operations.
- Mr. Bettinger's Organization/Individual Performance Factor for calendar year 2013 was based on the accomplishment of strategic, operational and organizational development goals for finance, global information systems and investor relations.
- Dr. Gottscho's Organization/Individual Performance Factor for calendar year 2013 was based on the accomplishment of market share, strategic, operational and organizational development goals for the product groups for which he had responsibility, deposition, etch, and clean.
- Ms. O'Dowd's Organization/Individual Performance Factor for calendar year 2013 was based on the accomplishment of strategic, operational and organizational development goals for legal.

The committee's consideration of the above accomplishments resulted in the following Organization/Individual Performance Factors for our NEOs: Mr. Anstice, 0.997; Mr. Archer, 1.050; Mr. Bettinger, 1.000; Dr. Gottscho, 1.000 and Ms. O'Dowd, 0.980.

2013 Annual Incentive Program Payout Decisions. In addition to considering the Corporate Performance Factor and Organization/Individual Performance Factors, the committee considered the strong performance of the Company and exercised discretion to increase payouts for those NEOs who were employed with the Company at the commencement of calendar year 2013 and still employed as of the payment date as follows: $132,000 to Mr. Anstice, $54,000 to Mr. Archer, $133,000 to Dr. Gottscho and $28,000 to Ms. O'Dowd. In February 2014, in light of the Funding Factor results and based on the above results and decisions, the committee made the following payouts for calendar year 2013 for each NEO, which, including the above discretion, were substantially less than the maximum payout available under the Funding Factor:

Figure 13. CY2013 Annual Incentive Program Payouts

Named Executive Officer[1]	Target Award Opportunity (% of Base Salary)	Target Award Opportunity ($)[2]	Maximum Payout under Funding Factor (178% of Target Award Opportunity) ($)[3]	Actual Payouts ($)
Martin B. Anstice	150	1,118,078	1,990,178	1,155,041
Timothy M. Archer	110	625,096	1,112,671	642,528
Douglas R. Bettinger	85	325,043	578,577	297,902
Richard A. Gottscho	85	385,908	686,916	386,685
Sarah A. O'Dowd	80	320,546	570,573	318,575

(1) Mr. Bettinger's employment with Lam commenced March 11, 2013. His target award opportunity reflects a pro-rated eligible earnings amount of $382,404.

(2) Calculated by multiplying each NEO's eligible earnings for the calendar year 2013 annual incentive program performance period (Mr. Anstice: $745,385; Mr. Archer: $568,269; Mr. Bettinger: $382,404; Dr. Gottscho: $454,009; and Ms. O'Dowd: $400,683) by their respective target award opportunity percentage.

(3) The Funding Factor resulted in a potential payout of up to 178% 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 2013 annual incentive program parameters and payout decisions – 2013 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).

Calendar year 2014 annual incentive program parameters

In February 2014, the committee set the target award opportunity for each NEO 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 14 below.

Figure 14. CY2014 Annual Incentive Program Target Award Opportunities

Named Executive Officer	Target Award Opportunity (% of Base Salary)
Martin B. Anstice	150
Timothy M. Archer	110
Douglas R. Bettinger	90
Richard A. Gottscho	90
Sarah A. O'Dowd	80

The committee also approved the annual 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 goals for the Funding Factor and also the Corporate Performance Factor. Consistent with program design, the Corporate Performance Factor goal is more difficult to achieve than the Funding Factor goal. Organization/Individual Performance Factor metrics and goals were also established for each NEO. 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. All goals were designed to be stretch goals.

Long-Term Incentive Program

Design

Our long-term incentive program, or "LTIP," is designed to attract and retain top talent, provide competitive levels of compensation, align pay with achievement of business objectives and stock performance over a multi-year period, reward our NEOs for outstanding Company performance and create stockholder value over the long term. Our LTIP was redesigned in February 2014 to further those objectives by: (i) replacing the cash component with a program entirely composed of equity, (ii) introducing a new LTIP vehicle, a Market-Based PRSU, designed to reward eligible participants based on our stock price performance relative to the Philadelphia Semiconductor Sector Index (SOX); (iii) differentiating the metric in our LTIP from the absolute operational performance metrics used for the Annual Incentive Program, and (iv) extending the performance period for the program from two to three years.

As a result, the LTIP now operates on overlapping three-year cycles, whereas prior to calendar year 2014, it operated on overlapping two-year cycles. This change would have left participants with a gap in long term incentive vesting opportunity in 2016. To ensure that participants receive a long-term award that vests in calendar year 2016, the committee also awarded a one-time gap year award with a two-year performance period, or the "Gap Year Award". The target amount awarded under the Gap Year Award is equal to 50% of the target award opportunity under the regular three-year LTIP award. While the impact on the employee from the extended performance period and the Gap Year Award, assuming performance and target opportunities are the same year after year, was to normalize the received compensation in any year, the accounting impact on the Company from such normalization (visible in the "*Summary Compensation Table*" and the "*Grants of Plan-Based Awards for Fiscal Year 2014*" table below), was a higher grant-based compensation expense in fiscal year 2014. This is in addition to the continuing impact upon the total compensation figures in the Company's "*Summary Compensation Table*" in fiscal years 2014 and 2015 from the long-term cash awards under the previously designed programs for our performance during the relevant periods.

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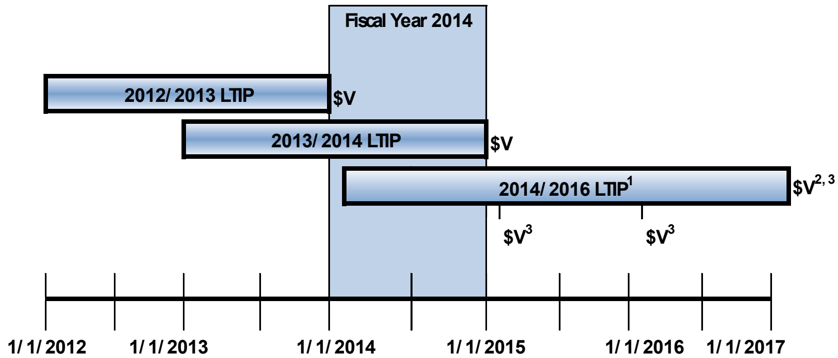
As shown in the chart below, because each performance period during fiscal year 2014 covers performance in two or three calendar years, three performance cycles affect compensation during each fiscal year (including the Gap Year Award).

Figure 15. FY2014 LTIP Programs



"$V" Reflects timing of cash payment and/or vesting of equity awards.

[1] Gap Year Awards with cliff vesting of equity awards as in CY2014/2016 LTIP but over two-year performance periods are excluded.

[2] Market-Based PRSUs cliff vest at the end of the performance period.

[3] RSUs and Stock Options vest on an annual basis over three years.

Under the current long-term incentive program, at the beginning of each multi-year performance period, target award opportunities (expressed as a U.S. dollar value) and performance metrics are established for the program. Of the total target award opportunity, 50% is awarded in Market-Based Performance Restricted Stock Units, or "Market-Based PRSUs," and the remaining 50% is awarded in a combination of service-based RSUs and stock options with at least 10% of the award in each of these two vehicles. The specific percentage of service-based RSUs and stock options are reviewed annually to determine whether service-based RSUs or stock options are the more appropriate form for the major part of the award based on criteria such as the current business environment and the potential value to motivate and retain the executives. We consider performance-based RSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based. This means that if options constitute 10% of the total target award opportunity, the long-term incentive program will be 60% performance-based. If options constitute 40% of the total target award opportunity, the long-term incentive program will be 90% performance-based.

Equity Vehicles

The equity vehicles used in our calendar year 2014 long-term incentive program (including the Gap Year Award with any differences in terms set forth as footnotes) are the following:

Figure 16. CY2014/2016 LTIP Program Equity Vehicles

Equity Vehicles	% of Target Award Opportunity	Terms
Market-Based PRSUs	50	• Awards cliff vest three years from the February 18, 2014 grant date, or "Grant Date," subject to satisfaction of minimal performance requirement and continued employment. Cliff, rather than annual, vesting provides for both retention and for aligning NEOs with longer-term stockholder interests.(1) • Performance period for Market-Based PRSUs is three years from the Grant Date.(2) • The number of shares represented by the Market-Based PRSUs that can be earned over the performance periods is based on our stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index (SOX), subject to the below-referenced ceiling. The stock price performance or market price performance is measured using the closing price for the 50-trading days prior to the dates the performance period begins and ends. The target number of shares represented by the Market-Based PRSUs is increased by 2% of target for each 1% that Lam's stock price performance exceeds the market price performance of the SOX index; similarly, the target number of shares represented by the Market-Based PRSUs is decreased by 2% of target for each 1% that Lam's stock price performance trails the market price performance of the SOX index. The result of the vesting formula is rounded down to the nearest whole number. A table reflecting the potential payouts depending on various comparative results is reflected in Figure 17 below. • There is a ceiling but no floor to the number of shares represented by the Market-Based PRSUs that may be earned: cannot exceed 150% of target (requiring a percentage change in the Company's stock price performance compared to that of the market price performance of the SOX index equal to or greater than positive 25 percentage points) and can be as little as 0% of target (requiring a percentage change in the Company's stock price performance compared to that of the market price performance of the SOX index equal to or lesser than negative 50 points). • The number of Market-Based PRSUs granted was determined by dividing 50% of the target opportunity by the closing price of our common stock on the Grant Date, $51.76, rounded down to the nearest share. • Awards that vest at the end of the performance period are distributed in shares of our common stock.
Stock Options	10	• Awards vest one-third on the first, second and third anniversaries of the February 18, 2014 grant date, or "Grant Date," subject to continued employment.(1) • The number of stock options granted is determined by dividing 10% of the target opportunity by the closing price of our common stock on the Grant Date, $51.76, rounded down to the nearest share and multiplying the result by three. The ratio of three options for every RSU is based on a Black Scholes fair value accounting analysis. • Awards are exercisable upon vesting. • Expiration is on the seventh anniversary of the grant date.
RSUs	40	• Awards vest one-third on the first, second and third anniversaries of the February 18, 2014 grant date, or "Grant Date," subject to continued employment.(1) • The number of RSUs granted is determined by dividing 40% of the target opportunity by the closing price of our common stock on the Grant Date, $51.76, rounded down to the nearest share. • Awards are distributed in shares of our common stock upon vesting.

(1) Gap Year Awards cliff vest two years from the Grant Date
(2) The performance period for Gap Year Awards of Market-based PRSUs is two years from the Grant Date

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Figure 17. Market-Based PRSU Vesting Summary

% Change in Lam's Stock Price Performance Compared to % Change in SOX Index Market Price Performance	Market-Based PRSUs That Can Be Earned (% of Target)
+ 25% or more	150%
+ 10%	120%
0% (equal to index)	100%
- 10%	80%
- 25%	50%
- 50% or less	0%

Target Award Opportunity

Under the long-term incentive program, the committee sets a target award opportunity for each participant based on the NEO's position and responsibilities and an assessment of competitive compensation data. The target award opportunities for each participant are expressed in a US dollar value. The target amounts for each NEO under the program cycles affecting fiscal year 2014 are as follows:

Figure 18. LTIP Target Award Opportunities

Named Executive Officer(1)	Long-Term Incentive Program Performance Period	Target Award Opportunity ($)
Martin B. Anstice	CY2014/2016(2)	6,500,000
	CY2013/2014	5,000,000
	CY2012/2013	3,500,000
Timothy M. Archer	CY2014/2016(2)	3,000,000
	CY2013/2014	3,000,000
	CY2012/2013	2,500,000
Douglas R. Bettinger	CY2014/2016(2)	2,500,000
	CY2013/2014	2,000,000
Richard A. Gottscho	CY2014/2016(2)	2,500,000
	CY2013/2014	2,075,000
	CY2012/2013	1,600,000
Sarah A. O'Dowd	CY2014/2016(2)	1,300,000
	CY2013/2014	1,258,000
	CY2012/2013	1,250,000

(1) Mr. Bettinger did not participate in the CY2012/2013 long-term incentive program because his employment with Lam commenced March 11, 2013.
(2) The CY2014/2015 Gap Year Award target award opportunities for each participant of 50% of his/her calendar year 2014/2016 LTIP target award opportunity are not included.

CY2014 Awards

Calendar year 2014 decisions for the calendar year 2014/2016 long-term incentive program. On February 18, 2014, the committee made a grant under the calendar year 2014/2016 long-term incentive program, as well as a Gap Year Award, of Market-Based PRSUs, stock options and RSUs on the terms set forth in Figure 16 above with a combined value equal to the NEO's total target award amount, as shown in Figures 19 and 20 below.

Figure 19. CY2014/2016 LTIP Awards

Named Executive Officer	Target Award Opportunity ($)	Market-Based Performance Restricted Stock Units Award[1] (#)	Stock Options Award (#)	Service-based Restricted Stock Units Award (#)
Martin B. Anstice	6,500,000	62,789	37,671	50,231
Timothy M. Archer	3,000,000	28,979	17,385	23,183
Douglas R. Bettinger	2,500,000	24,149	14,487	19,319
Richard A. Gottscho	2,500,000	24,149	14,487	19,319
Sarah A. O'Dowd	1,300,000	12,557	7,533	10,046

(1) The number of Market-Based PRSUs Awarded is reflected at target. The final number of shares that may be earned will be 0 to 150% of target.

Figure 20. CY2014/2015 Gap Year Awards

Named Executive Officer	Target Award Opportunity ($)	Market-Based Performance Restricted Stock Units Award[1] (#)	Stock Options Award (#)	Service-based Restricted Stock Units Award (#)
Martin B. Anstice	3,250,000	31,394	18,834	25,115
Timothy M. Archer	1,500,000	14,489	8,691	11,591
Douglas R. Bettinger	1,250,000	12,074	7,242	9,659
Richard A. Gottscho	1,250,000	12,074	7,242	9,659
Sarah A. O'Dowd	650,000	6,278	3,765	5,023

(1) The number of Market-Based PRSUs Awarded is reflected at target. The final number of shares that may be earned will be 0 to 150% of target.

CY2012/2013 LTIP Payouts and CY2013/2014 LTIP Grants

The calendar year 2012/2013 LTIP payouts were awarded, and the calendar year 2013/2014 grants were made, pursuant to the previous design of the long-term incentive program.

Historic LTIP Design

The long-term incentive programs prior to calendar year 2014 were comprised of two components:

- Cash Incentive Component
- Equity Incentive Component

50% of such prior long-term incentive programs were expressed in performance-based cash awards and the other 50% were awarded in equity. Such programs were designed to be 75% performance-based and 25% service-based (i.e., 50% of the equity component was performance-based and 50% was service-based). The cash incentive component of the programs was entirely performance-based, and the equity incentive component had typically been half performance-based and half service-based. A modified long-term program design was utilized 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 also to aid retention during the integration period, for the calendar year 2012/2013 long-term incentive program, the pay components were 50% performance-based and 50% service-based. Since this was a deviation from the historical program design in effect for all other periods prior to calendar year 2014, we refer to our historic 75% performance-based mix in describing the program design. As referenced above, we consider goal-based RSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based.

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Cash Incentive Component

The cash component of the prior programs was 100% performance-based and was 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 set performance metrics under each two-year performance period on an annual basis. Goals against the metrics were set every six months to allow the committee to react to changes in the external business environment. When business conditions improved, goals were set to require stronger performance, and when business conditions deteriorated, goals were set to ensure stretch performance under more difficult conditions. We believed this flexibility motivated exceptional performance and delivered stockholder value throughout the applicable fluctuating business cycles we experienced.

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 was greater than one. Thus the final payout amount is determined by achievement against the performance goals adjusted by this stock price appreciation metric, and subject to the cap the committee set and any negative discretion the committee chose to exercise.

For each two-year performance period, the awards were subject to cliff vesting and payouts have been 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, has assisted with both retention and aligning NEOs with longer-term stockholder interests.

We believed this program has been effective in achieving pay-for-performance results, as shown in Figure 21 below.

Figure 21. CY2012/2013 Long-Term Cash Payouts

Long-Term Cash Cycle	Average Long-Term Cash Payout as % of Target Award Opportunity	Business Environment
CY2012/2013	109	**2013**: Healthy demand for semiconductor equipment with stable economic conditions and favorable supply demand discipline; delivered on annualized cost savings targets defined in integration plans. **2012**: Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives
CY2011/2012	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
CY2010/2011	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

Payout decisions under the calendar year 2012/2013 long-term cash program. In February 2014, the committee determined payouts for the calendar year 2012/2013 performance cycle. The starting price for determination of the stock price appreciation metric for calendar year 2012 was $43.45, which was based on a 200-day moving average as of December 23, 2011 and for calendar year 2013 was $36.93, which was based on a 200-day moving average as of December 21, 2012. The performance metric for both years of the program was non-GAAP operating income, with it being reflected as a dollar value in calendar year 2012 and as a percentage of revenue for calendar year 2013, and goals were set semi-annually and measured on a quarterly basis. During the performance period, these goals ranged from $115.2 million per quarter to $140 million per quarter during calendar year 2012 and were 15.0% per quarter during calendar year 2013, reflecting stretch goals during calendar year 2012 and retentive goals during calendar year 2013 under then-prevailing business conditions. Actual quarterly performance of non-GAAP operating income during all eight quarters ranged from 29% to 137% of goal. Without regard to stock price appreciation, the resulting payout would have been 85% of target for the entire period. However, the stock price appreciation metric served to increase the payouts to 109% of target.

Payouts for the eligible NEOs were awarded at 109% of target, as shown in Figure 22 below.

Figure 22. CY2012/2013 Long-Term Cash Payouts

Named Executive Officer[1]	Cash Target Award Opportunity ($)	Cash Payout ($)
Martin B. Anstice	1,750,000	1,901,749
Timothy M. Archer	1,250,000	1,358,392
Richard A. Gottscho	800,000	869,371
Sarah A. O'Dowd	625,000	679,196

[1] Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013.

Calendar year 2013 and 2014 decisions under the calendar year 2013/2014 long-term cash program. Target award amounts were set in February 2013 for the calendar year 2013/2014 program, and are shown in Figure 23 below. At that time, the committee also set non-GAAP operating income as the performance metric for the 2013 calendar year portion of the two year program 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. In February 2014, the committee retained non-GAAP operating income as a percentage of revenue as the performance metric and retained $36.93, the 200-day moving average as of December 21, 2012, as the starting price for measuring stock price appreciation for the calendar year 2014 portion of the program. Specific goals against the non-GAAP operating income metric were set in February 2013 for the first half of calendar year 2013, in August 2013 for the second half of calendar year 2013, and in February 2014 on an annual basis for calendar year 2014, and in each case were designed to be retentive goals. Payouts for the calendar year 2013/2014 program will be determined and made in February 2015 to eligible NEOs, subject to continued employment.

Figure 23. CY2013/2014 Long-Term Cash Target Award Opportunities

Named Executive Officer	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

Equity Incentive Component

Similar to the current program, the long-term equity incentive component was historically designed to attract and retain top talent, provide competitive levels of compensation and to reward our NEOs 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) had been performance-based (including stock options), 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) had been delivered through service-vested RSUs. The performance-based equity component of the long-term program was reviewed annually to determine whether performance-based RSUs or stock options were 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 NEOs. 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 NEOs with longer-term stockholder interests.

Vesting and performance results under the calendar year 2012/2013 long-term equity program. Under the calendar year 2012/2013 long-term equity program, the committee made a grant to each NEO other than Messrs. Archer and Bettinger, who were not then

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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 24. The committee made a comparable grant, as shown in Figure 24, for Mr. Archer on August 3, 2012. To determine the number of service-based RSUs, 50% of the NEO's long-term equity target dollar amount was divided by $43.38, the closing price of our common stock on February 7, 2012 for all NEOs other than Mr. Archer, and $34.57, the closing price of our common stock on August 3, 2012 for Mr. Archer. The award determination date was February 7, 2014, subject to continued employment through such date. On that date, the service-based awards vested due to the passage of time.

Figure 24. CY2012/2013 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

(1) Mr. Bettinger did not participate because his employment with Lam commenced March 11, 2013.

Awards under the calendar year 2013/2014 long-term equity program. On February 8, 2013, the committee made a grant under the calendar year 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 stock options and service–based RSUs with a combined value equal to 50% of the NEO's total target award amount, as shown in Figure 25. The committee made a comparable grant for Mr. Bettinger effective as of March 11, 2013, the date he joined the Company. The number of shares of our common stock into which the stock options are exercisable, determined based on a Black Scholes value analysis, 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 stock options issued for the other 50% of the target dollar amount was determined as described above. The RSUs also cliff vest on February 8, 2015, subject to continued employment.

Figure 25. CY2013/2014 Long-Term Equity Awards

Named Executive Officer	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	1,500,000	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

Employment/Change in Control Arrangements

The Company has amended its employment agreements with Messrs. Anstice, Archer and Bettinger and Dr. Gottscho, and change in control agreement with Ms. O'Dowd, during the fiscal year to account for the issuance of a new type of equity award, Market-Based PRSUs and the corresponding severance terms associated therewith. The Company enters into employment/change in control 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. Until January 1, 2013, the Company also provided an executive medical, dental, and vision reimbursement program that reimbursed NEOs' 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 Retiree Health Plans, 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 2014 and reflected the following retirement benefit obligation for the NEOs:

Figure 26. Post-Retirement Benefit Obligations

Named Executive Officer	As of June 2014
Martin B. Anstice	$335,000
Timothy M. Archer	$386,000
Douglas R. Bettinger[(1)]	$ 0
Richard A. Gottscho	$544,000
Sarah A. O'Dowd	$439,000

(1) Mr. Bettinger was not eligible to participate because he was not an employee of the Company prior to the termination of the program.

V. 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 programs, 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

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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 may not be deductible unless 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 exceed 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, 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 2014, 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.

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 compensation committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists as of the date of this proxy statement or existed during fiscal year 2014 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*	2014	803,846	0	8,298,569	897,137	4,978,689[10]	30,977	15,009,218
	2013	776,904[6]	0	1,249,964	1,150,947	2,376,731[11]	17,106	5,571,653
	2012	605,288	0	1,749,993	0	1,463,810[12]	22,337	3,841,428
Timothy M. Archer *Executive Vice President and Chief Operating Officer[4]*	2014	580,769	1,000,000[7]	3,830,003	414,012	3,034,681[13]	30,521	8,889,985
	2013	574,313[6]	0	1,999,961[8]	690,568	1,738,388[14]	124,204	5,127,434
Douglas R. Bettinger *Executive Vice President and Chief Financial Officer[5]*	2014	494,231	0	3,191,636	344,994	1,484,487[15]	22,961	5,538,309
	2013	149,231[6]	0	2,499,942[9]	459,159	272,269[16]	2,529	3,383,130
Richard A. Gottscho *Executive Vice President, Global Products*	2014	475,000	0	3,191,636	441,128	2,109,623[17]	23,059	6,240,446
	2013	487,735[6]	500[23]	518,734	613,299	1,098,839[18]	15,786	2,734,893
	2012	427,942	5,609[24]	799,971	0	905,832[19]	19,959	2,159,312
Sarah A. O'Dowd *Senior Vice President, Chief Legal Officer*	2014	408,077	0	1,659,629	229,365	1,371,075[20]	26,364	3,694,509
	2013	432,782[6]	0	314,462	371,788	808,050[21]	12,427	1,939,509
	2012	377,596	0	624,976	0	774,526[22]	15,355	1,792,453

(1) The amounts shown in this column represent the value of RSU awards, under the LTIP (for fiscal year 2014, this includes the calendar year 2014/2016 LTIP award and the Gap Year Award) except as described in footnotes 8 and 9 below, 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 2014 are set forth in Note 11 to the Consolidated Financial Statements of the Company's annual report on Form 10-K for the fiscal year ended June 29, 2014. For additional details regarding the grants see "*Grants of Plan Based Awards for Fiscal Year 2014*" table below.

(2) The amounts shown in this column represent the value of the stock option awards granted, under the LTIP (for fiscal year 2014, this includes the calendar year 2014/2016 LTIP award and the Gap Year Award) except as described in footnotes 8 and 9 below, 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 2014 are set forth in Note 11 to the Consolidated Financial Statements of the Company's annual report on Form 10-K for the fiscal year ended June 29, 2014. For additional details regarding the grants see "*Grants of Plan Based Awards for Fiscal Year 2014*" table below.

(3) Please refer to the "*All Other Compensation Table For Fiscal Year 2014*," 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) Includes non-recurring/one time vacation payouts at the end of the program in which all vice presidents were entitled to accrue paid vacation time of $71,615 for Mr. Anstice; $7,485 for Mr. Archer; $36,005 for Dr. Gottscho; and $34,167 for Ms. O'Dowd.

(7) Represents a retention bonus pursuant to the terms of his employment agreement (effective June 4, 2012), or "Archer Employment Agreement," entered into in connection with the acquisition of Novellus.

(8) Represents grants of service-based RSUs: under the calendar year 2012/2013 equity portion of the Long-Term Incentive Program, or "LTIP-Equity," granted August 3, 2012 in accordance with the terms of the Archer Employment Agreement; and under the calendar year 2013/2014 LTIP-Equity, granted February 8, 2013.

(9) Represents grant of service-based RSUs under the calendar year 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.

(10) Represents $1,155,041 earned by and paid to Mr. Anstice under the calendar year 2013 Annual Incentive Program, or "AIP," $857,253 accrued on Mr. Anstice's behalf for the performance during fiscal year 2014 under the calendar year 2012/2013 cash portion of the Long-Term Incentive Program, or "LTIP-Cash," and $2,966,462 accrued on Mr. Anstice's behalf for the performance during fiscal year 2014 under the calendar year 2013/2014 LTIP-Cash. Mr. Anstice has received the amount accrued under the calendar year 2012/2013 LTIP-Cash, and will be eligible to receive the amounts accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by Lam through the award determination date in February 2015.

(11) Represents $771,640 earned by and paid to Mr. Anstice under the calendar year 2012 AIP, $183,446 accrued on Mr. Anstice's behalf for the performance during fiscal year 2013 under the calendar year 2011/2012 LTIP-Cash, $740,974 accrued on Mr. Anstice's behalf for the performance during fiscal year 2013 under the calendar year 2012/2013 LTIP-Cash, and $680,671 accrued on Mr. Anstice's behalf for the performance during fiscal year 2013 under the calendar year 2013/2014 LTIP-Cash. Mr. Anstice has received the amounts accrued under the calendar year 2011/2012 and 2012/2013 LTIP-Cash programs, and will be eligible to receive the amount accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by the Company through the award determination date in February 2015.

(12) Represents $521,125 earned by and paid to Mr. Anstice under the calendar year 2011 AIP, $233,936 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the calendar year 2010/2011 LTIP-Cash, $405,171 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the calendar year 2011/2012 LTIP-Cash, and $303,578 accrued on Mr. Anstice's behalf for the performance during fiscal year 2012 under the calendar year 2012/2013 LTIP-Cash. Mr. Anstice has received the amounts accrued under the calendar year 2010/2011, 2011/2012, and 2012/2013 LTIP-Cash programs.

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(13) Represents $642,528 earned by and paid to Mr. Archer under the calendar year 2013 AIP, $612,276 accrued on Mr. Archer's behalf for the performance during fiscal year 2014 under the calendar year 2012/2013 LTIP-Cash, and $1,779,877 accrued on Mr. Archer's behalf for the performance during fiscal year 2014 under the calendar year 2013/2014 LTIP-Cash. Mr. Archer has received the amount accrued under the calendar year 2012/2013 LTIP-Cash, and will be eligible to receive the amounts accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by Lam through the award determination date in February 2015.

(14) Represents $263,492 earned by and paid to Mr. Archer under the calendar year 2012 AIP, $360,804 earned by Mr. Archer and paid in February 2013 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 calendar year 2012/2013 LTIP-Cash, and $408,403 accrued on Mr. Archer's behalf for the performance during fiscal year 2013 under the calendar year 2013/2014 LTIP-Cash. Mr. Archer has received the amount accrued under the calendar year 2012/2013 LTIP-Cash program. Mr. Archer will be eligible to receive the amount accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by the Company through the award determination date in February 2015.

(15) Represents $297,902 earned by and paid to Mr. Bettinger under the calendar year 2013 AIP, and $1,186,585 accrued on Mr. Bettinger's behalf for the performance during fiscal year 2014 under the calendar year 2013/2014 LTIP-Cash. Mr. Bettinger will be eligible to receive the amounts accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by Lam through the award determination date in February 2015.

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

(17) Represents $486,685 earned by and paid to Dr. Gottscho under the calendar year 2013 AIP, $391,857 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2014 under the calendar year 2012/2013 LTIP-Cash, and $1,231,082 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2014 under the calendar year 2013/2014 LTIP-Cash. Dr. Gottscho has received the amount accrued under the calendar year 2012/2013 LTIP-Cash, and will be eligible to receive the amounts accrued under the calendar year 2013/2014 LTIP-Cash program if he remains employed by Lam through the award determination date in February 2015.

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

(19) Represents $339,032 earned by and paid to Dr. Gottscho under the calendar year 2011 AIP, $157,907 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the calendar year 2010/2011 LTIP-Cash, $270,114 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the calendar year 2011/2012 LTIP-Cash, and $138,779 accrued on Dr. Gottscho's behalf for the performance during fiscal year 2012 under the calendar year 2012/2013 LTIP-Cash. Dr. Gottscho has received the amounts accrued under the calendar year 2010/2011, 2011/2012, and 2012/2013 LTIP-Cash programs.

(20) Represents $318,575 earned by and paid to Ms. O'Dowd under the calendar year 2013 AIP, $306,138 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2014 under the calendar year 2012/2013 LTIP-Cash, and $746,362 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2014 under the calendar year 2013/2014 LTIP-Cash. Ms. O'Dowd has received the amount accrued under the calendar year 2012/2013 LTIP-Cash, and will be eligible to receive the amounts accrued under the calendar year 2013/2014 LTIP-Cash program if she remains employed by Lam through the award determination date in February 2015.

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

(22) Represents $308,868 earned by and paid to Ms. O'Dowd under the calendar year 2011 AIP, $146,210 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the calendar year 2010/2011 LTIP-Cash, $211,027 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the calendar year 2011/2012 LTIP-Cash and $108,421 accrued on Ms. O'Dowd's behalf for the performance during fiscal year 2012 under the calendar year 2012/2013 LTIP-Cash. Ms. O'Dowd has received the amounts accrued under the calendar year 2010/2011, 2011/2012 and 2012/2013 LTIP-Cash programs.

(23) Represents a patent award.

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

All Other Compensation Table for Fiscal Year 2014

Name	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 ($)	Total ($)
Martin B. Anstice	7,545	1,420	0	19,512	2,500	30,977
Timothy M. Archer	7,089	1,420	0	19,512	2,500	30,521
Douglas R. Bettinger	5,267	1,420	14	16,260	0	22,961
Richard A. Gottscho	8,280	1,420	66	13,293	0	23,059
Sarah A. O'Dowd	7,474	1,420	255	14,715	2,500	26,364

(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 healthcare insurance premiums paid by Lam.

Grants of Plan-Based Awards for Fiscal Year 2014

Name	Award Type	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh)	Grant Date Fair Value of Stock and Option Awards ($)[3]
				Target ($)[1]	Maximum ($)[1]	Target (#)[2]	Maximum (#)[2]				
Martin B. Anstice	Annual Incentive Program	N/A	2/11/2014	1,350,000	3,037,500						
	LTIP-Equity:										
	Market-Based PRSUs	2/18/2014	2/18/2014			62,789[4]	94,184[4]				2,930,363
		2/18/2014	2/18/2014			31,394[5]	47,091[5]				1,468,297
	Service-Based RSUs	2/18/2014	2/18/2014					50,231[6]			2,599,957
		2/18/2014	2/18/2014					25,115[7]			1,299,952
	Stock Options	2/18/2014	2/18/2014						37,671[8]	51.76	591,115
		2/18/2014	2/18/2014						18,834[9]	51.76	306,022
Timothy M. Archer	Annual Incentive Program	N/A	2/11/2014	660,000	1,485,000						
	LTIP-Equity:										
	Market-Based PRSUs	2/18/2014	2/18/2014			28,979[4]	43,469[4]				1,352,450
		2/18/2014	2/18/2014			14,489[5]	21,734[5]				677,651
	Service-Based RSUs	2/18/2014	2/18/2014					23,183[6]			1,199,952
		2/18/2014	2/18/2014					11,591[7]			599,950
	Stock Options	2/18/2014	2/18/2014						17,385[8]	51.76	272,797
		2/18/2014	2/18/2014						8,691[9]	51.76	141,215
Douglas R. Bettinger	Annual Incentive Program	N/A	2/11/2014	472,500	1,063,125						
	LTIP-Equity:										
	Market-Based PRSUs	2/18/2014	2/18/2014			24,149[4]	36,224[4]				1,127,034
		2/18/2014	2/18/2014			12,074[5]	18,111[5]				564,701
	Service-Based RSUs	2/18/2014	2/18/2014					19,319[6]			999,951
		2/18/2014	2/18/2014					9,659[7]			499,950
	Stock Options	2/18/2014	2/18/2014						14,487[8]	51.76	227,323
		2/18/2014	2/18/2014						7,242[9]	51.76	117,671
Richard A. Gottscho	Annual Incentive Program	N/A	2/11/2014	472,500	1,063,125						
	LTIP-Equity:										
	Market-Based PRSUs	2/18/2014	2/18/2014			24,149[4]	36,224[4]				1,127,034
		2/18/2014	2/18/2014			12,074[5]	18,111[5]				564,701
	Service-Based RSUs	2/18/2014	2/18/2014					19,319[6]			999,951
		2/18/2014	2/18/2014					9,659[7]			499,950
	Stock Options	2/18/2014	2/18/2014						14,487[8]	51.76	292,858
		2/18/2014	2/18/2014						7,242[9]	51.76	148,270
Sarah A. O'Dowd	Annual Incentive Program	N/A	2/11/2014	332,000	747,000						
	LTIP-Equity:										
	Market-Based PRSUs	2/18/2014	2/18/2014			12,557[4]	18,836[4]				586,035
		2/18/2014	2/18/2014			6,278[5]	9,417[5]				293,622
	Service-Based RSUs	2/18/2014	2/18/2014					10,046[6]			519,981
		2/18/2014	2/18/2014					5,023[7]			259,990
	Stock Options	2/18/2014	2/18/2014					0	7,533[8]	51.76	152,281
		2/18/2014	2/18/2014						3,765[9]	51.76	77,083

(1) The AIP target and maximum estimated future payouts reflected in this table were calculated using the base salary approved in February 2014, effective as of April 2014. Actual target and maximum future payouts under the AIP are calculated based on actual eligible base earnings.

(2) The amounts reported in the Estimated Future Payouts Under Equity Incentive Plan Awards columns represent the target and maximum number (150% of target) of Market-Based PRSUs that may be paid out to the NEOs on the terms described in the "*Executive Compensation and Other Information – Compensation Discussion and Analysis*" above.

(3) The amounts shown in this column represent the value of service-based and market-based performance RSU and stock option awards granted during fiscal year 2014 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 service-based or market-based performance RSU in fiscal year 2014 are set forth in Note 11 to the Consolidated Financial Statements of the Company's annual report on Form 10-K for the fiscal year ended June 29, 2014.

(4) The Market-Based PRSUs vest on February 18, 2017, subject to continued employment.

(5) The Market-Based PRSUs granted as part of the Gap Year Award vest on February 18, 2016, subject to continued employment.

(6) The service-based RSUs vest 33.3% on February 18, 2015, 33.3% on February 18, 2016 and 33.3% on February 18, 2017, subject to continued employment.

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[7] The service-based RSUs granted as part of the Gap Year Award vest 100% on February 18, 2016, subject to continued employment.
[8] Represents stock options with a seven-year term, of which 33.3% vest on February 18, 2015, 33.3% vest on February 18, 2016 and 33.3% vest on February 18, 2017, subject to continued employment.
[9] Represents stock options with a seven-year term granted as part of the Gap Year Award, of which 100% vest on February 18, 2016, subject to continued employment.

Outstanding Equity Awards at 2014 Fiscal Year-End

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[1]
Martin B. Anstice							62,789[2]	4,203,724
		37,671[3]	51.76	2/18/2021				
					50,231[4]	3,362,965		
							31,394[5]	2,101,828
		18,834[6]	51.76	2/18/2021				
					25,115[7]	1,681,449		
		88,005[8]	42.61	2/8/2020				
					29,335[9]	1,963,978		
Timothy M. Archer							28,979[2]	1,940,144
		17,385[3]	51.76	2/18/2021				
					23,183[4]	1,552,102		
							14,489[5]	970,039
		8,691[6]	51.76	2/18/2021				
					11,591[7]	776,017		
		52,803[8]	42.61	2/8/2020				
					17,601[9]	1,178,387		
	30,375[10]	10,125[10]	29.34	12/16/2020				
Douglas R. Bettinger							24,149[2]	1,616,776
		14,487[3]	51.76	2/18/2021				
					19,319[4]	1,293,407		
							12,074[5]	808,354
		7,242[6]	51.76	2/18/2021				
					9,659[7]	646,670		
		35,367[11]	42.41	3/11/2020				
					11,789[12]	789,274		
Richard A. Gottscho							24,149[2]	1,616,776
		14,487[3]	51.76	2/18/2021				
					19,319[4]	1,293,407		
							12,074[5]	808,354
		7,242[6]	51.76	2/18/2021				
					9,659[7]	646,670		
		36,522[8]	42.61	2/8/2020				
					12,174[9]	815,049		
Sarah A. O'Dowd							12,557[2]	840,691
		7,533[3]	51.76	2/18/2021				
					10,046[4]	672,580		
							6,278[5]	420,312
		3,765[6]	51.76	2/18/2021				
					5,023[7]	336,290		
		22,140[8]	42.61	2/8/2020				
					7,380[9]	494,091		

[1] Calculated by multiplying the number of unvested shares by $66.95, the closing price per share of our common stock on June 27, 2014.
[2] Market-Based PRSUs are shown at their target amount. The actual conversion of the Market-Based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX Index over the applicable three-year performance period. The Market-Based PRSUs were granted on February 18, 2014. On February 18, 2017, the Market-Based PRSUs will vest provided that the person remains an employee on such date.

(3) Stock options were granted on February 18, 2014. On February 18, 2015, February 18, 2016 and February 18, 2017, 33.3% of the stock options will become exercisable provided that the person remains an employee on such date.
(4) RSUs were granted on February 18, 2014. On February 18, 2015, February 18, 2016 and February 18, 2017, 33.3% of the RSUs will vest provided that the person remains an employee on such date.
(5) Market-Based PRSUs are shown at their target amount. The actual conversion of the Market-Based PRSUs into shares of Lam common stock following the conclusion of the two-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX Index over the applicable two-year performance period. The Market-Based PRSUs were granted as part of the Gap Year Award on February 18, 2014. On February 18, 2016, the Market-Based PRSUs will vest provided that the person remains an employee on such date.
(6) Stock options were granted as part of the Gap Year Award on February 18, 2014. On February 18, 2016, 100% of the stock options will become exercisable provided that the person remains an employee on such date.
(7) RSUs were granted as part of the Gap Year Award on February 18, 2014. On February 18, 2016, 100% of the RSUs will vest provided that the person remains an employee on such date.
(8) Stock options were granted on February 8, 2013. On February 8, 2015, 100% of the stock options will become exercisable provided that the person remains an employee on such date.
(9) 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.
(10) Stock options were granted on December 16, 2010. As of the 2014 fiscal year-end, 75% of the stock options granted on December 16, 2010 had become exercisable. On December 16, 2014, the remaining 25% of unvested stock options will become exercisable provided that Mr. Archer remains an employee on such date.
(11) Stock options were granted on March 11, 2013. On February 8, 2015, 100% of the stock options will become exercisable provided that Mr. Bettinger remains an employee on such date.
(12) 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.

Option Exercises and Stock Vested for Fiscal Year 2014[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	29,120	867,916	40,341	2,091,681
Timothy M. Archer	292,500	8,321,204	73,497	3,781,695
Douglas R. Bettinger	0	0	35,369	1,869,607
Richard A. Gottscho	0	0	18,441	956,166
Sarah A. O'Dowd	38,658	1,102,913	14,407	747,003

(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 2014, which ended on June 29, 2014.

Non-Qualified Deferred Compensation for Fiscal Year 2014

Name	Executive Contributions in FY14 ($)[1]	Registrant Contributions in FY14 ($)[2]	Aggregate Earnings in FY14 ($)[3]	Aggregate Balance at FYE14 ($)[4]
Martin B. Anstice	92,010	2,500	678,453	4,414,152
Timothy M. Archer	795,638	2,500	143,161	1,425,455
Douglas R. Bettinger	98,951	0	4,132	103,083
Richard A. Gottscho	0	0	103,850	1,800,510
Sarah A. O'Dowd	1,155,666	2,500	551,067	3,730,425

(1) The entire amount of each executive's contributions in fiscal year 2014 is reported in each respective NEO's compensation in our fiscal year 2014 "*Summary Compensation Table*."
(2) Represents the amount that Lam credited to the Elective Deferred Compensation Plan, the "EDCP," which is 3% of Executive Contribution during calendar year 2013, to a maximum benefit of $2,500. These amounts are included in the "*Summary Compensation Table*" and "*All Other Compensation Table For Fiscal Year 2014*."
(3) The NEOs did not receive above-market or preferential earnings in fiscal year 2014.
(4) The fiscal year-end balance includes $3,641,189 for Mr. Anstice, $484,156 for Mr. Archer, $0 for Mr. Bettinger, $1,696,660 for Dr. Gottscho, and $2,021,192 for Ms. O'Dowd that were previously reported in our "*Summary Compensation Table*" in prior years' proxy statements.

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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 and amended on January 30, 2014, 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; (4) a cash payment equal to a product of (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-Based PRSU awards granted to Mr. Anstice as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time of service and (y) the closing stock price on the date of termination; and (5) vesting, as of the date of termination, of a pro rata portion of the unvested stock option or RSU awards that are not Market-Based PRSUs 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; conversion of any Market-Based PRSUs outstanding as of the Change in Control into a cash award payable at time of termination equal to the sum of: (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-Based PRSU awards granted to Mr. Anstice as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time of service and (y) the remainder of the pro-rata portion of unvested Market-Based PRSU awards at target; vesting, as of the date of termination, of the unvested stock option or RSU awards that are not Market-Based PRSUs 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; (4) vesting, as of the date of termination, of at least 50% of the unvested stock option, RSU or Market-Based PRSU (as adjusted for the Company's performance during the service period) 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 Company's Retiree Health Plans), stock options, RSUs and Market-Based PRSUs 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. All RSUs and Market-Based PRSUs 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 and amended on January 30, 2014, 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 vested 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 employment agreement was amended on January 30, 2014. 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 vested in equal tranches subject to continued employment on a quarterly basis over the year following the effective date of the agreement.

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 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 and amended on January 30, 2014, 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.

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Other Executive Agreements

The Company entered into a change in control agreement with Ms. O'Dowd, effective July 18, 2012 and amended on January 30, 2014, 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 2014. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2014, June 29, 2014. The closing price per share of our common stock on June 27, 2014, which was the last trading day of fiscal year 2014, was $66.95. 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 2014.

Potential Payments to Mr. Anstice upon Termination or Change in Control as of June 29, 2014

		Involuntary Termination			
Executive Benefits and Payments upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	1,350,000	1,350,000
Short-term Incentive (5-year average)	—	—	—	672,915	672,915
Short-term Incentive (pro rata)	—	675,000	—	675,000	336,457
Long-term Incentives:					
2013-2014 LTIP-Cash	—	3,642,816	—	3,642,816	4,267,816
Stock Options (Unvested and Accelerated)	—	1,857,183	—	1,428,028	3,000,353
Service-Based Restricted Stock Units (Unvested and Accelerated)	—	3,831,526	—	1,309,319	7,008,393
Performance-Based Restricted Stock Units (Unvested and Accelerated)	—	3,278,887	—	914,815	6,340,737
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	24,911	—	24,911	24,911
Total	**—**	**13,310,324**	**—**	**10,017,804**	**23,001,582**

Potential Payments to Mr. Archer upon Termination or Change in Control as of June 29, 2014					
		Involuntary Termination			
Executive Benefits and Payments upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	600,000	600,000
Short-term Incentive (5-year average)	—	—	—	274,886	549,772
Short-term Incentive (pro rata)	—	330,000	—	330,000	274,886
Long-term Incentives:					
2013-2014 LTIP-Cash	—	2,185,690	—	2,185,690	2,560,690
Stock Options (Unvested and Accelerated)	—	1,054,864	—	856,817	1,681,319
Service-Based Restricted Stock Units (Unvested and Accelerated)	—	1,949,651	—	785,591	3,506,506
Performance-Based Restricted Stock Units (Unvested and Accelerated)	—	1,513,295	—	422,211	2,926,421
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	24,911	—	24,911	24,911
Total	—	**7,058,411**	—	**5,480,106**	**12,124,506**

Potential Payments to Mr. Bettinger upon Termination or Change in Control as of June 29, 2014					
		Involuntary Termination			
Executive Benefits and Payments upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	525,000	525,000
Short-term Incentive (5-year average)	—	—	—	169,985	339,970
Short-term Incentive (pro rata)	—	236,250	—	236,250	169,985
Long-term Incentives:					
2013-2014 LTIP-Cash	—	1,457,127	—	1,457,127	1,707,127
Stock Options (Unvested and Accelerated)	—	731,058	—	566,026	1,197,970
Service-Based Restricted Stock Units (Unvested and Accelerated)	—	1,484,782	—	514,744	2,729,351
Performance-Based Restricted Stock Units (Unvested and Accelerated)	—	1,261,068	—	351,839	2,438,662
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	—	24,911	—	24,911	24,911
Total	**—**	**5,195,195**	**—**	**3,845,881**	**9,132,975**

Potential Payments to Dr. Gottscho upon Termination or Change in Control as of June 29, 2014					
		Involuntary Termination			
Executive Benefits and Payments upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	525,000	525,000
Short-term Incentive (5-year average)	—	—	—	191,173	382,346
Short-term Incentive (pro rata)	—	236,250	—	236,250	191,173
Long-term Incentives:					
2013-2014 LTIP-Cash	—	1,511,769	—	1,511,769	1,771,144
Stock Options (Unvested and Accelerated)	—	757,662	—	592,630	1,219,009
Service-Based Restricted Stock Units (Unvested and Accelerated)	—	1,513,405	—	543,366	2,755,126
Performance-Based Restricted Stock Units (Unvested and Accelerated)	—	1,261,068	—	351,839	2,438,662
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	544,000	544,000	544,000	544,000	544,000
Total	**544,000**	**5,824,153**	**544,000**	**4,496,028**	**9,826,461**

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Potential Payments to Ms. O'Dowd upon Termination or Change in Control as of June 29, 2014					
		Involuntary Termination			
Executive Benefits and Payments upon Termination	Voluntary Termination ($)	Disability or Death ($)	For Cause ($)	Not for Cause ($)	Change in Control ($)
Compensation					
Severance	—	—	—	—	415,000
Short-term Incentive (5-year average)	—	—	—	—	318,797
Short-term Incentive (pro rata)	—	—	—	—	159,398
Long-term Incentives:					
2013-2014 LTIP-Cash	—	—	—	—	1,073,783
Stock Options (Unvested and Accelerated)	—	—	—	—	710,504
Service-Based Restricted Stock Units (Unvested and Accelerated)					1,502,961
Performance-Based Restricted Stock Units (Unvested and Accelerated)	—	—	—	—	1,268,040
Benefits and Perquisites					
Health Benefit Continuation/COBRA Benefit	439,000	439,000	439,000	439,000	439,000
Total	**439,000**	**439,000**	**439,000**	**439,000**	**5,887,482**

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of June 29, 2014, 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	4,477,999[2]	$45.26	10,711,854[3]
Equity compensation plans not approved by security holders	2,489,356[4]	$26.44	6,855,086[5]
Total	6,967,355	$32.20	17,566,940

(1) Does not include RSUs.

(2) Includes 4,477,999 shares issuable upon RSU vesting or stock option exercises under the Company's 2007 Stock Incentive Plan, as amended, the "2007 Plan." The 2007 Plan was adopted by the board in August 2006, approved by 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 the Company's stockholders. The 2007 Plan reserves for issuance up to 15,000,000 shares of the Company's common stock.

(3) Includes 2,334,276 shares available for future issuance under the 2007 Plan and 8,377,578 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended, 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 2,489,356 shares issuable upon RSU vesting or stock option exercises under the Company's 2011 Stock Incentive Plan, as amended, 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 6,855,086 shares available for future issuance under the 2011 Plan.

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 2013 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.

We provide for annual advisory votes to approve the compensation of our named executive officers. Unless modified, the next advisory vote to approve the compensation of our named executive officers will be at the 2015 annual meeting.

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 the Independent Registered Public Accounting Firm For Fiscal Year 2015

Stockholders are being asked to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2015. 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

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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 2015.

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 29, 2014, 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 applicable auditing standards of the Public Company Accounting Oversight Board, or the "PCAOB."
- 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 2014 Annual Report on Form 10-K for the fiscal year ended June 29, 2014 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 (Chair)
Michael R. Cannon
Catherine P. Lego
William R. Spivey

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 2014 and 2013.

Services Rendered / Type of Fee	Fiscal Year 2014	Fiscal Year 2013
Audit Fees[1]	$4,584,117	$4,901,106
Audit-Related Fees[2]	$ 8,975	$ 260,000
Tax Fees	$ 119,055	$ 162,066
All Other Fees[3]	$ 1,535	$ 1,995
TOTAL	$4,713,682	$5,325,167

(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 disposition of the Peter Wolters industrial applications group.

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

The audit committee reviewed summaries of the services provided by Ernst & Young LLP and the related fees during fiscal year 2014 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 2014.

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 as of the date of this proxy statement or existed during fiscal year 2014 among any of our directors and executive officers. No related party transactions occurred during fiscal year 2014.

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Other Matters

We are not aware of any other matters to be submitted at 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.

Voting and Meeting Information

Information Concerning Solicitation and Voting

Our board of directors solicits your proxy for the 2014 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the "Notice of 2014 Annual Meeting of Stockholders." The sections below show important details about the annual meeting and voting.

Record Date

Only stockholders of record at the close of business on September 8, 2014, the "Record Date," are entitled to receive notice of and to vote at the annual meeting.

Shares Outstanding

162,441,177 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, the "Proxy Holders," will follow the stockholder's instructions. If a stockholder submits proxy voting instructions but does not include voting instructions for each item, the Proxy Holders will vote as the board recommends on each item for which the stockholder did not include an instruction. The Proxy Holders will vote on any other matters properly presented at the annual meeting in accordance with their best judgment.

Voting Results

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

Availability of Proxy Materials

Beginning on September 23, 2014, this proxy statement and the accompanying proxy card and 2014 Annual Report to Stockholders will be mailed to stockholders entitled to vote at the annual meeting who have designated a preference for a printed copy. 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 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 2014 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 23, 2014 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 D.F. King & Co., Inc. 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 $12,000 plus out-of-pocket expenses. D.F. King & Co, Inc. may be contacted at 48 Wall Street, New York, 10005. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we must reimburse these brokers and nominees for the expenses of doing so in accordance with statutory fee schedules.

Other Meeting Information

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 6, 2014. 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

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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 11 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 11 nominees for the 11 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 11 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 2015.

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; Stockholders Holding Multiple Accounts

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 one or more of them want to receive separate copies. This procedure reduces duplicate mailings and therefore saves printing and mailing costs, as well as natural resources. Stockholders who participate in householding will continue to have access to all proxy materials at *http://investor.lamresearch.com*, as well as the ability to submit separate proxy voting instructions for each account through the internet or by phone.

Stockholders 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 contact us by phone, mail or email to request consolidation of proxy materials mailed to multiple accounts at the same address.

Stockholder-Initiated Proposals and Nominations for 2015 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 2015 annual meeting (in accordance with SEC Rule 14a-8) and for consideration at the 2015 annual meeting. The Company must receive a stockholder proposal no later than May 26, 2015 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 for the 2015 annual meeting 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 not included in our proxy statement to be discussed at the annual meeting. Assuming that the 2015 annual meeting takes place at roughly the same date next year as the 2014 annual meeting (and subject to any change in our bylaws—which would be publicly disclosed by the Company—and to any provisions of then-applicable SEC rules), the principal requirements for the 2015 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 10, 2015, and no later than August 9, 2015;
- For each Stockholder and beneficial owner of Company common stock, "Beneficial Owner," if any, on behalf of whom the proposal or nomination is being made the Stockholder's notice to the secretary of a proposal or nomination must state:"
  - 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, directly or indirectly, 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 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 *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.

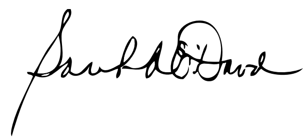
Continues on next page ▸

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.

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

By Order of the Board of Directors,



Sarah A. O'Dowd
Secretary

Fremont, California
Dated: September 23, 2014

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

FORM 10-K

(Mark One)

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

For the fiscal year ended June 29, 2014

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 29, 2013, 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 $6,184,276,734. 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, 2014, the Registrant had 162,075,237 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 6, 2014 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

2014 ANNUAL REPORT ON FORM 10-K

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

With the exception of historical facts, the statements contained in this discussion are forward-looking statements, which are subject to the safe harbor provisions created by the Private Securities Litigation Reform Act of 1995. Certain, but not all, of the forward-looking statements in this report are specifically identified as forward-looking, by use of phrases and words such as "believe," "anticipate," "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: trends and opportunities in the global economic environment and the semiconductor industry; the anticipated levels of, and rates of change in, future shipments, margins, market share, capital expenditures, international sales, revenue and operating expenses generally; management's plans and objectives for our current and future operations and business focus; volatility in our quarterly results; customer requirements and our ability to satisfy those requirements; customer capital spending and their demand for our products, and the reliability of indicators of change in customer spending and demand; hedging transactions; our ability to defend our market share and to gain new market share; our ability to obtain and qualify alternative sources of supply; factors that affect our tax rates; anticipated growth in the industry and the total market for wafer-fabrication equipment and our growth relative to such growth; levels of research and development expenditures and joint development relationships with customers, suppliers or other industry members; outsourced activities; the role of component suppliers in our business; the resources invested to comply with all evolving standards and the impact of such efforts; the estimates we make, and the accruals we record, in order to implement our critical accounting policies (including but not limited to the adequacy of prior tax payments, future tax liabilities and the adequacy of our accruals relating to them); our access to capital markets; our intention to pay quarterly dividends and the amounts thereof, if any; our intention to repurchase our shares; our ability to manage and grow our cash position; and the sufficiency of our financial resources to support future business activities (including but not limited to operations, investments, debt service requirements and capital expenditures). Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value, and effect, including without limitation those discussed below under the heading "Risk Factors" within Item 1A and elsewhere in this report and other documents we file from time to time with the Securities and Exchange Commission ("SEC"), such as our quarterly reports on Form 10-Q for the quarters ended September 29, 2013, December 29, 2013 and March 30, 2014, 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 not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on information currently and reasonably known to us. We 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 the United States of 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 smaller, faster, and more power-efficient devices that are used in a variety of electronic products, including cell phones, tablets, 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 thin film deposition, plasma etch, and wafer cleaning. These processes, which are repeated numerous times during the wafer fabrication cycle, are utilized 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 can offer 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").

The Company's high-productivity thin film deposition systems form a device's sub-microscopic layers of conducting (metal) or insulating (dielectric) materials. Lam is 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. Our photoresist strip systems remove the photoresist mask before a wafer proceeds to the next processing step. Lam's wet spin clean and plasma-based bevel clean products remove particles, residues and film 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 deposition, etch, 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 Inc. ("Silfex") is a wholly-owned subsidiary of Lam. Silfex is a leading provider of high-purity custom silicon components and assemblies that serve technology markets such as semiconductor equipment. Peter Wolters was a wholly-owned subsidiary of Lam until we sold substantially all of Peter Wolters on July 2, 2014. Peter Wolters designs and manufactures high-precision grinding, lapping, polishing, and deburring systems used in the automotive, aerospace, medical, semiconductor manufacturing and other industries.

Products

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 high aspect ratio ("HAR") structures with low defectivity and high productivity. Electroplating of copper and other metals is also used for through-silicon via ("TSV") and WLP applications, such as forming conductive bumps and redistribution layers ("RDLs"). These applications require excellent within-wafer uniformity at high plating rates, minimal defects, and cost competitiveness. For tungsten chemical vapor deposition ("CVD")/atomic layer deposition ("ALD") 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 back-end-of-line ("BEOL") self-aligned double patterning require highly conformal film deposition and atomic-scale 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. In addition, ALD processes are often used to deposit very thin, highly conformal films for applications such as multiple patterning. 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 engineering. 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 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, 3D NAND wordlines, 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/ALD 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 processing stations for high-throughput memory processes. Applications include deposition of ashable hardmasks, multiple patterning films, oxides, nitrides, carbides, anti-reflective layers, multi-layer stack films, diffusion barriers, and spacer films.

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. 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.

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-scale 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 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"), 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. In addition, Kiyo systems can be configured to perform atomic layer etch (“ALE”), which delivers atomic-scale variability control to enable next-generation wafer processing. Applications include FinFET and tri-gate, shallow trench isolation (“STI”), high-k/metal gate and multiple patterning. The 2300 Versys metal product family provides a flexible platform for 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, multiple patterning, 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, self-aligned contacts, capacitor cell, mask open, 3D NAND HAR hole, trench, and contact.

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.

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.

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 potential source of yield-limiting defects at the wafer's edge, 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 enable wafer drying without pattern collapse or 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, underbump metallization etch, and photoresist removal.

Plasma Bevel Clean — 2300 ® Coronus ® Product Family

The 2300 Coronus plasma-based bevel clean products enhance die yield by removing particles, 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-etch, pre- and post-deposition, pre-lithography, 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

Segment	Process/Application	Technology	Products
Thin Film Deposition	Metal Films Dielectric Films Film Treatment	ECD (Copper & Other) CVD, ALD (Tungsten) PECVD, ALD Gapfill HDP-CVD UVTP	SABRE® family ALTUS® family VECTOR® family SPEED® family SOLA® family
Plasma Etch	Conductor Etch Dielectric Etch TSV Etch	Reactive Ion Etch Reactive Ion Etch Deep Reactive Ion Etch	2300® Kiyo® family, 2300® Versys® metal family 2300® Flex™ family 2300® Syndion® family
Strip & Clean	Photoresist Strip Wafer Cleaning Bevel Cleaning	Dry Strip Wet Clean Dry Plasma Clean	G400®, GxT®, G3D® DV-Prime®, Da Vinci®, SP Series 2300® Coronus® family

Fiscal Periods Presented

All references to fiscal years apply to our fiscal years, which ended June 29, 2014, June 30, 2013, and June 24, 2012. In all sections of this document, the fiscal 2012 information presented reflects 20 days of Novellus related activity, as Novellus was purchased on June 4, 2012. 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 research and development (“R&D”) programs and seek to maintain close and responsive relationships with our customers and suppliers.

Our R&D expenses during fiscal years 2014, 2013, and 2012 were $716.5 million, $683.7 million, and $444.6 million, respectively. The majority of R&D spending over the past three years has been targeted at deposition, etch, 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 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Revenue:			
Korea	$1,127,406	$ 603,821	$ 893,549
Taiwan	1,049,214	1,026,548	467,922
Japan	634,131	368,095	308,189
China	623,408	319,282	143,769
United States	622,022	734,324	458,531
Europe	303,730	292,432	244,038
Southeast Asia	247,398	254,414	149,194
Total revenue	$4,607,309	$3,598,916	$2,665,192

Long-Lived Assets

Refer to Note 17 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 all 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 years 2014, 2013, and 2012, three customers, Samsung Electronics Company, Ltd., SK Hynix Inc., and Taiwan Semiconductor Manufacturing Company, Ltd., each individually represented greater than 10% 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 and forecasts. 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 29, 2014 and June 30, 2013, our backlog was approximately $866 million and $764 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 quickly to any changes in 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 19, 2014, we had approximately 6,500 regular employees globally. 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, defect control, customer support, 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., Semes, 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 and Wonik IPS.

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 26, 2014, the executive officers of Lam Research were as follows:

Name	Age	Title
Martin B. Anstice	47	President and Chief Executive Officer
Timothy M. Archer	47	Executive Vice President and Chief Operating Officer
Douglas R. Bettinger . . .	47	Executive Vice President, Chief Financial Officer and Chief Accounting Officer
Richard A. Gottscho . . .	62	Executive Vice President, Global Products Group
Sarah A. O'Dowd	64	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 Officer 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 is the Senior Vice President, Chief Legal Officer of the Company. Ms. 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 Law School and Stanford University, respectively, and her bachelor of arts degree in mathematics from Immaculata College.

Item 1A. *Risk Factors*

In addition to the other information in this 2014 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 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, operating results and earnings. 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 R&D and maintain extensive ongoing worldwide customer service and support capabilities to remain competitive, which may temporarily harm our profitability and other financial results.

Our Quarterly Revenues and Operating Results Are Variable

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;
- our customers' reuse of existing and installed products, to the extent that such reuse decreases their need to purchase new products or services;
- 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.

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. As a result of historical performance and growth potential, our single-wafer 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.

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 our acquisition of Novellus Systems, Inc. (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 or through share repurchases. Prior to the maturity of the Notes, if the price of our Common Stock exceeds the conversion price, U.S. generally accepted accounting principles require 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 also by hedging activity that may develop involving our Common Stock by holders of the Notes.

Our Credit Agreements Contain Covenant Restrictions That May Limit Our Ability To Operate Our Business.

We may be unable to respond to changes in business and economic conditions, engage in transactions that might otherwise be beneficial to us, or obtain additional financing, because our debt agreements contain, and any of our other future similar agreements may contain, covenant restrictions that limit our ability to, among other things:

- incur additional debt, assume obligations in connection with letters of credit, or issue guarantees;
- create liens;
- enter into transactions with our affiliates;
- sell certain assets; and
- merge or consolidate with any person.

Our ability to comply with these covenants is dependent on our future performance, which will be subject to many factors, some of which are beyond our control, including prevailing economic conditions. In addition, our failure to comply with these covenants could result in a default under the Notes or our other debt, which could permit the holders to accelerate such debt. If any of our debt is accelerated, we may not have sufficient funds available to repay such debt, which could materially and negatively affect our financial condition and results of operation.

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, cash flows, collections 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; 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.

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 system, and our revenues in any given quarter are dependent upon customer 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. 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 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. In certain instances this could work to our disadvantage if a competitor's tools or equipment become the standard equipment for such functions or processes. Some semiconductor manufacturing companies are also consolidating. Additional outcomes of such consolidation may include our customers: (i) re-evaluating their future supplier relationships to consider other competitors' products and/or (ii) gaining additional influence over the pricing of products and the control of intellectual property.

Similarly, our customers may partner 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 our 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 and with the pending merger of two of our largest competitors we may face increasing competitive pressures. 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, including 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 offer customers a more comprehensive array of products and to therefore 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 86% of total revenue in fiscal 2014, 80% of total revenue in fiscal year 2013, and 83% of total revenue in fiscal year 2012. 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;
- 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 outsourced providers or third parties such as vendors and contractors. Many of these outsourced service providers, including certain hosted software applications that we use for confidential data storage, employ "cloud computing" technology for such storage (which refers to an information technology hosting and delivery system in which data is not stored within the user's physical infrastructure but instead are delivered to and consumed by the user as an Internet-based service). All of 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 and/or sensitive information stored on these information systems could be intentionally or unintentionally compromised, lost and/or stolen. While we have implemented security procedures, such as virus protection software and emergency recovery processes, to mitigate the outlined risks with respect to information systems that are under our control, they cannot be guaranteed to be failsafe and our inability to use or access these information systems at critical points in time, or unauthorized releases of confidential information, could unfavorably impact the timely and efficient operation of our business.

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

As a global company, our effective tax rate is highly dependent upon the geographic composition of worldwide earnings and tax regulations governing each region. We are subject to income taxes in the United States and various foreign jurisdictions, and significant judgment is required to determine worldwide tax liabilities. Our effective tax rate could be adversely affected by changes in the split of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws, 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 Businesses, 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 price of and markets for semiconductors. These and other 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 us. 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 U.S. 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 intentional or unintentional actions or omissions of third parties, of ours or even our own employees. Additionally, intellectual property litigation can be expensive and time-consuming and 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. Moreover, because we determine the jurisdictions in which to file patents at the time of filing, we may not have adequate protection in the future based on such previous decisions. Any of these circumstances could have a material adverse impact on our business.

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.

There Can Be No Assurance That We Will Continue To Declare Cash Dividends Or Repurchase Our Shares At All Or In Any Particular Amounts.

Our Board of Directors announced its plans to declare a quarterly dividend on April 29, 2014, with the first dividend payment paid on July 2, 2014. In addition, on April 29, 2014, we announced that our Board of Directors has authorized the Company to repurchase up to $850 million of common stock, which includes the remaining value available under the prior authorization of $250 million. Our intent to continue to pay quarterly dividends and to repurchase our shares is subject to capital availability and, in the case of dividends, periodic determinations by our Board of Directors that cash dividends are in the best interest of our stockholders and are in compliance with all laws and agreements applicable to the declaration and payment of cash dividends by us. Future dividends and share repurchases may also be affected by, among other factors: our views on potential future capital requirements for investments in acquisitions and the funding of our research and development; legal risks; stock repurchase programs; changes in federal and state income tax laws or corporate laws; and changes to our business model. Our dividend payments and share repurchases may change from time to time, and we cannot provide assurance that we will continue to declare dividends or repurchase shares at all or in any particular amounts. A reduction or suspension in our dividend payments or share repurchase activity could have a negative effect on our stock price.

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

None.

Item 2. ***Properties***

Our executive offices and principal operating and R&D facilities are located in Fremont, Livermore, and San Jose, California, Tualatin, Oregon, and Villach, Austria. The Fremont and Livermore facilities are held under operating leases expiring in 2020, the San Jose and Tualatin facilities are owned by the Company, and the Villach facilities are held under capital leases expiring in 2016. Our Fremont, Livermore, and Villach 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 Illinois, Ohio, Germany, and Korea. 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, 2014 we had 490 stockholders of record. In fiscal year 2014, we announced the initiation of a quarterly dividend and declared a dividend of $0.18 per share to our stockholders payable in the first quarter of fiscal year 2015. In fiscal year 2013 we did not declare or pay cash dividends to our stockholders. 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:

	2014	
	High	**Low**
First Quarter	$52.31	$44.11
Second Quarter	$55.48	$49.54
Third Quarter	$57.16	$48.45
Fourth Quarter	$67.85	$50.54

	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

Repurchase of Company Shares

On April 22, 2013, the Board of Directors authorized the repurchase of up to $250 million of Common Stock. In addition, on April 29, 2014, the Board of Directors authorized the Company to repurchase up to $850 million of common stock, which includes the remaining value available under the Company's prior authorization of $250 million. 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 our share repurchase program, we 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 29, 2014 included the following:

Collared Accelerated Share Repurchases

During the year ended June 29, 2014, the Company entered into and settled a collared accelerated share repurchase ("ASR") transaction under a master repurchase arrangement. Under the ASR, the Company made an up-front cash payment of $75 million, in exchange for an initial delivery of 1.2 million shares of its Common Stock and a subsequent delivery of 0.3 million shares following the initial hedge period.

The number of shares to ultimately be repurchased by us is based generally on the volume-weighted average price ("VWAP") of the 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 we could repurchase under the agreements. The minimum and maximum thresholds for the transaction were established based on the average of the VWAP prices for the Common Stock during an initial hedge period. At the conclusion of the ASR, we could have received additional shares based on the VWAP of the Common Stock during the term of the agreement minus the pre-determined fixed discount; however the total number of shares received under the ASR would not exceed the maximum of 1.7 million shares.

The counterparty designated October 28, 2013 as the termination date, at which time we settled the ASR. No additional shares were received at final settlement, which represented a weighted-average share price of approximately $50.40 for the transaction period.

The Company accounted for the 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 its own Common Stock and classified in stockholders' equity. As such, the Company accounted for the shares that we received under the ASR as a repurchase of our Common Stock for the purpose of calculating earnings per common share. We had determined that the forward contract indexed to the Common Stock met all of the applicable criteria for equity classification in accordance with the Derivatives and Hedging topic of the FASB Accounting Standards Codification, and, therefore, the ASR was not accounted for as a derivative instrument. As of June 29, 2014, the aggregate repurchase price of $75 million was reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

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

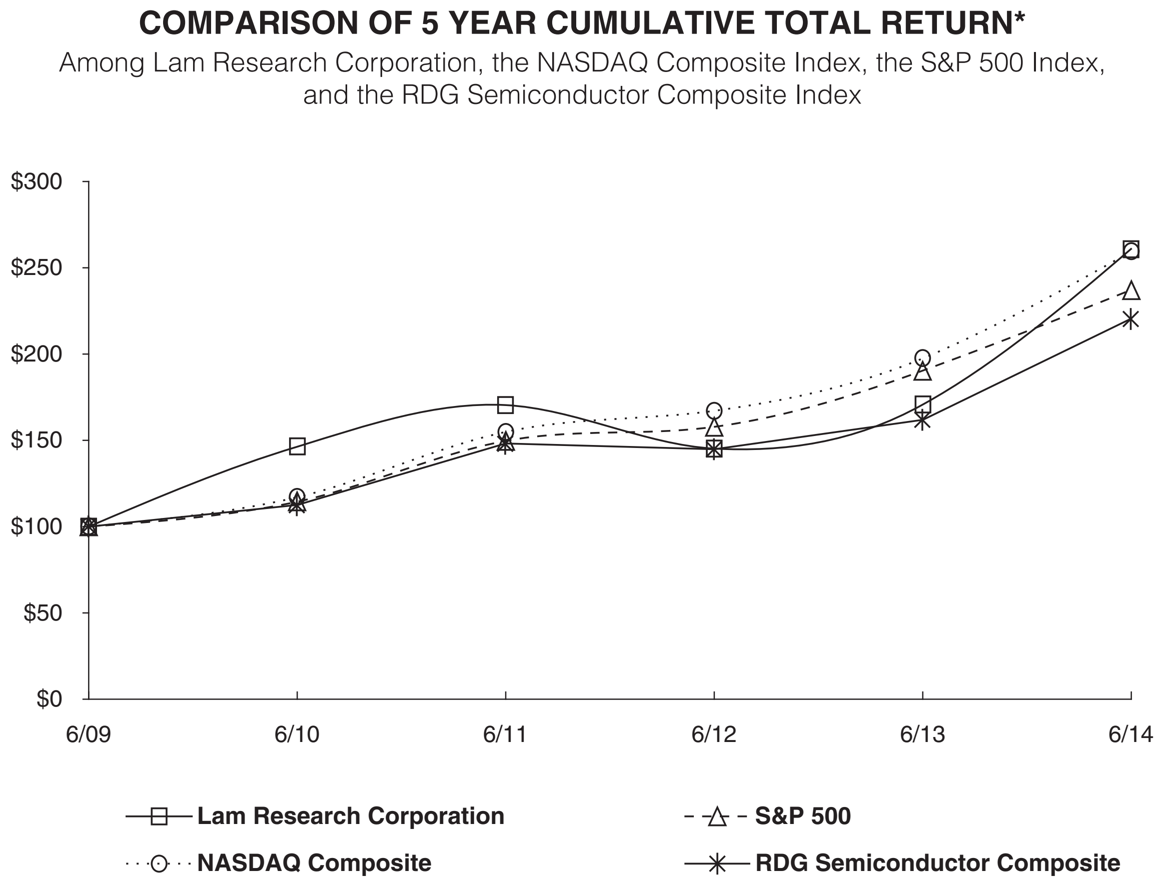
Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share*	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available Under Repurchase Program
	(in thousands, except per share data)			
Amount available at June 30, 2013				$250,000
Quarter ending September 29, 2013	2,093	$48.39	1,935	$153,538
Quarter ending December 29, 2013	967	$52.11	762	$113,738
Quarter ended March 30, 2014	1,036	$53.07	930	$ 64,324
March 31, 2014 - April 27, 2014	298	$54.51	285	$ 48,786
Authorization of $850 million - April 29, 2014	—	$ —	—	$850,000
April 28, 2014 - May 25, 2014	404	$57.47	288	$834,287
May 26, 2014 - June 29, 2014	62	$66.12	51	$830,895
Total	4,860	$52.10	4,251	$830,895

* Average price paid per share excludes accelerated share repurchases for which cost was incurred during the September 2013 quarter, but that did not settle until the December 2013 quarter. 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 608,695 shares acquired at a total cost of $32.0 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, 2009 to June 30, 2014.



*$100 invested on 6/30/09 in stock or index, including reinvestment of dividends.
Fiscal year ending June 30.

	6/09	6/10	6/11	6/12	6/13	6/14
Lam Research Corporation	**100.00**	**146.38**	**170.31**	**145.15**	**170.54**	**260.64**
NASDAQ Composite	**100.00**	**117.06**	**154.79**	**167.05**	**197.48**	**259.41**
S&P 500	**100.00**	**114.43**	**149.55**	**157.70**	**190.18**	**236.98**
RDG Semiconductor Composite	**100.00**	**112.38**	**147.90**	**144.72**	**161.77**	**220.24**

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

	Year Ended				
	June 29, 2014 (1)	**June 30, 2013 (1)**	**June 24, 2012 (1)**	**June 26, 2011**	**June 27, 2010**
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$4,607,309	$3,598,916	$2,665,192	$3,237,693	$2,133,776
Gross margin	2,007,481	1,403,059	1,084,069	1,497,232	969,935
Restructuring charges, net (2)	—	1,813	1,725	11,579	21,314
409A expense (3)	—	—	—	—	(38,590)
Operating income	677,669	118,071	237,733	804,285	425,410
Net income	632,289	113,879	168,723	723,748	346,669
Net income per share:					
Basic	$ 3.84	$ 0.67	$ 1.36	$ 5.86	$ 2.73
Diluted	$ 3.62	$ 0.66	$ 1.35	$ 5.79	$ 2.71
Cash dividends declared per common share	$ 0.18	$ —	$ —	$ —	$ —
BALANCE SHEET:					
Working capital	$3,201,661	$2,389,354	$2,988,181	$2,592,506	$1,198,004
Total assets	7,993,306	7,250,315	8,004,652	4,053,867	2,487,392
Long-term obligations, less current portion	1,198,221	1,170,048	1,255,600	903,263	160,600

(1) Fiscal years 2014 and 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 Novellus acquisition was accounted for as a business combination in accordance with the applicable accounting guidance.

(2) Restructuring charges, net exclude restructuring charges (releases) included in cost of goods sold and reflected in gross margin of ($1.0) million, and $3.4 million for fiscal years 2012 and 2010, respectively.

(3) 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 and 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 29, 2014	March 30, 2014	December 29, 2013	September 29, 2013
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2014:				
Revenue	$1,248,797	$1,227,392	$1,116,061	$1,015,059
Gross margin	557,036	530,798	487,789	431,858
Operating income	215,850	191,937	164,474	105,408
Net income	233,395	164,396	148,992	85,506
Net income per share				
Basic	$ 1.44	$ 1.01	$ 0.92	$ 0.52
Diluted	$ 1.35	$ 0.96	$ 0.87	$ 0.50
Number of shares used in per share calculations:				
Basic	162,215	162,238	162,305	162,896
Diluted	173,345	171,636	171,757	171,363

	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

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 29, 2014 and June 30, 2013 included 52 and 53 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 2014 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 2014 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 2014 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

Lam Research has been an innovative supplier of wafer fabrication equipment and services to the semiconductor industry for more than 30 years. Our customers include semiconductor manufacturers that make memory, microprocessors, and other logic integrated circuits for a wide range of electronics; including cell phones, computers, storage devices and networking equipment.

Our market-leading products are designed to help our customers build the smaller, faster and more power-efficient devices that are necessary to power the capabilities required by end users. The process of integrated circuits fabrication consists of a complex series of process and preparation steps and Lam's product offerings in deposition, etch and clean address a number of the most critical steps in the fabrication process. 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. More recently with consolidation in the customer base, the cyclical behavior appears to have diminished somewhat. With a reduced number of customers, variability in their business plans may lead to changes in demand for Lam's equipment and services over certain periods. The variability in our customers' investments during any particular period is dependent on several factors including but not limited to electronics demand, economic conditions (both general and in the semiconductor and electronics industries), industry supply and demand, prices for semiconductors, and our customers' ability to develop and manufacture increasingly complex and costly semiconductor devices.

Demand for our products increased steadily throughout fiscal year 2014 as semiconductor device manufacturers made capacity and technology investments. Technology inflections have been in industry inflection points that include FinFET transistors, 3-D NAND and multiple patterning. These technology inflections have led to an increase in the deposition, etch and clean market size. This increase, as well as market share gains in these inflections, have contributed to the increased revenue in fiscal 2014. We believe that, over the longer term, demand for our products should increase as the proportion of customers' capital expenditures rise in these technology inflection areas, and we continue to gain market share.

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

	Year Ended						
	June 29, 2014	June 30. 2013	June 24, 2012	FY14 vs. FY13		FY13 vs. FY12	
	(in thousands, except per share data and percentages)						
Revenue	$4,607,309	$3,598,916	$2,665,192	$1,008,393	28.0%	$933,724	35.0%
Gross margin	$2,007,481	$1,403,059	$1,084,069	$ 604,422	43.1%	$318,990	29.4%
Gross margin as a percent of total revenue	43.6%	39.0%	40.7%	4.6%		-1.7%	
Total operating expenses	$1,329,812	$1,284,988	$ 846,336	$ 44,824	3.5%	$438,652	51.8%
Net income	$ 632,289	$ 113,879	$ 168,723	$ 518,410	455.2%	$ (54,844)	-32.5%
Diluted net income per share	$ 3.62	$ 0.66	$ 1.35	$ 2.96	448.5%	$ (0.69)	-51.1%

On June 4, 2012, we completed our acquisition of Novellus Systems, Inc ("Novellus"). Results for fiscal years 2014 and 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 2014 revenues increased 28% compared to fiscal year 2013, reflecting the increase in technology inflections' spending, as well as, incremental market share gains. The increase in gross margin as a percentage of revenue for the fiscal year 2014 compared to fiscal year 2013 was due primarily to a decrease in Novellus acquisition-related inventory fair value adjustments, improved business volumes and product mix. Operating expenses in fiscal year 2014 increased as compared to fiscal year 2013 primarily related to continued investments in the next-generation research and development and customer facing activities.

Our cash and cash equivalents, short-term investments, and restricted cash and investments balances totaled approximately $3.2 billion as of June 29, 2014 compared to $2.7 billion as of June 30, 2013. This increase was primarily the result of $717 million of cash flows from operating activities, offset by $245 million in share repurchases. This compares to $720 million in cash provided by operating activities during fiscal year 2013.

Results of Operations

Shipments and Backlog

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Shipments (in millions)	$4,551	$3,714	$2,672
Korea	24%	16%	36%
Taiwan	21%	29%	18%
Japan	13%	11%	10%
China	15%	9%	6%
United States	15%	20%	17%
Europe	7%	8%	8%
Southeast Asia	5%	7%	5%

Shipments for fiscal year 2014 were approximately $4.6 billion and increased by 23% compared to fiscal year 2013. Shipments for fiscal year 2013 were approximately $3.7 billion and increased by 39% compared to fiscal year 2012. The increase in shipments during fiscal year 2014 as compared to fiscal year 2013 related to continued strengthening of customer demand through fiscal year 2014. 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 percentage of total semiconductor processing system shipments to each of the market segments we serve were as follows for fiscal years 2014, 2013, and 2012.

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Memory	60%	36%	45%
Foundry	30%	49%	46%
Logic/integrated device manufacturing	10%	15%	9%

During fiscal year 2014, memory customer demand was higher due to node transitions in memory manufacturing, stable pricing for memory, and tight industry supply.

Unshipped orders in backlog as of June 29, 2014 were approximately $866 million and increased from approximately $764 million as of June 30, 2013. 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 29, 2014	June 30, 2013	June 24, 2012
Revenue (in millions)	$4,607	$3,599	$2,665
Korea	24%	17%	33%
Taiwan	23%	29%	18%
Japan	14%	10%	12%
China	14%	9%	5%
United States	13%	20%	17%
Europe	7%	8%	9%
Southeast Asia	5%	7%	6%

The revenue increase in fiscal year 2014 as compared to fiscal year 2013 reflected increased customer and industry demand. The revenue increase in fiscal year 2013 as compared to fiscal year 2012 reflected a full fiscal year of operations post-acquisition of Novellus. 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 was $361.6 million as of June 29, 2014 compared to $389.2 million as of June 30, 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 $34 million as of June 29, 2014 compared to $70 million as of June 30, 2013.

Gross Margin

	Year Ended						
	June 29, 2014	June 30, 2013	June 24, 2012	FY14 vs. FY13		FY13 vs. FY12	
	(in thousands, except percentages)						
Gross margin	$2,007,481	$1,403,059	$1,084,069	$604,422	43.1%	$318,990	29.4%
Percent of total revenue	43.6%	39.0%	40.7%	4.6%		-1.7%	

The increase in gross margin as a percentage of revenue for fiscal year 2014 compared to fiscal year 2013 was due to higher business volumes as well as a more favorable product mix. Additionally, the Novellus acquisition related inventory fair value impact and cost associated with rationalization of certain product configurations decreased by $78 million and $15 million, respectively, in fiscal year 2014 as compared to fiscal year 2013.

The decrease in gross margin as a percentage of revenue for fiscal year 2013 compared to fiscal year 2012 was due primarily to higher Novellus 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 Novellus acquisition and product configuration-related expenses was a favorable change in gross margin as a result of increased business volume.

Research and Development

	Year Ended						
	June 29, 2014	June 30, 2013	June 24, 2012	FY14 vs. FY13		FY13 vs. FY12	
	(in thousands, except percentages)						
Research & development ("R&D")	$716,471	$683,688	$444,559	$32,783	4.8%	$239,129	53.8%
Percent of total revenue	15.6%	19.0%	16.7%	-3.4%		2.3%	

We continued to make significant R&D investments focused on leading-edge deposition, plasma etch, single-wafer clean and other semiconductor manufacturing requirements. The increase in R&D expense during fiscal year 2014 compared to fiscal year 2013 was primarily due to a $41 million increase in salaries and benefits related to higher headcount and higher incentive and equity compensation offset by a reduction of $7 million in supplies.

The increase in R&D spending during fiscal year 2013 compared to fiscal year 2012 reflects a full year of combined operations with Novellus. 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.

Selling, General and Administrative

	Year Ended						
	June 29, 2014	June 30, 2013	June 24, 2012	FY14 vs. FY13		FY13 vs. FY12	
	(in thousands, except percentages)						
Selling, general & administrative ("SG&A")	$613,341	$601,300	$401,777	$12,041	2.0%	$199,523	49.7%
Percent of total revenue	13.3%	16.7%	15.1%	-3.4%		1.6%	

The increase in SG&A expense during fiscal year 2014 compared to fiscal year 2013 was due primarily to a net increase of $11 million in salaries, benefits and incentive compensation, $20 million increase in marketing expenses and outside services, $7 million in costs associated with rationalization of certain product configurations, $8 million of impairment of a long lived asset, and a $5 million cost related to the renewal of our Fremont and Livermore buildings' operating leases. This increase was offset by a $34 million reduction in integration costs and a $10 million reduction in amortization of intangible assets related to the Novellus integration.

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 a 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 Novellus acquisition-related cost.

Gain on Sale of Real Estate

During the fiscal year 2014, we sold our interest in nonessential property in Palo Alto, California, resulting in $135 million in net proceeds and a realized gain of $83 million from the transaction.

Other Expense, Net

Other expense, net, consisted of the following:

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Interest income	$ 12,540	$ 14,737	$ 12,141
Interest expense	(61,692)	(60,408)	(38,962)
Gains (losses) on deferred compensation plan related assets, net	9,559	9,764	(914)
Foreign exchange gains (losses), net	1,529	(6,808)	(397)
Other, net	668	(8,698)	(5,183)
	$(37,396)	$(51,413)	$(33,315)

The increase in interest expense during fiscal year 2013 as compared with fiscal year 2012 was primarily due to the 2041 convertible notes assumed in June 2012 in connection with the Novellus acquisition.

Foreign exchange gains in fiscal year 2014 and losses in fiscal years 2013 and 2012 were related to un-hedged portions of the balance sheet exposures.

Other income realized during fiscal year 2014 was primarily due to a gain on the disposition of a private equity investment. Other expenses during fiscal year 2013 included a $4 million other-than-temporary impairment of a public equity investment recognized during the March 2013 quarter. Other expenses during fiscal year 2012 included a $2 million other-than temporary impairment of a private equity investment recognized during the September 2011 quarter.

Income Tax Expense (benefit)

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Provision for income taxes	$91,074	$(47,221)	$35,695
Effective tax rate	12.6%	-70.8%	17.5%

The increase in the effective tax rate in fiscal year 2014 as compared to fiscal year 2013 was primarily due to the change in the level of income and geographic mix of income between higher and lower tax jurisdictions, U.S. income and applicable foreign withholding taxes on undistributed foreign earnings of certain of our foreign subsidiaries for 2014, reduced tax benefit in fiscal year 2014 due to the expiration of the federal research and development tax credit as of December 31, 2013, and tax benefits in fiscal year 2013 related to the recognition of previously unrecognized tax benefits due to the lapse of the statute of limitations and successful resolution of certain tax matters. 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 the lapse of the 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.

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 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 $343 million and $318 million at the end of fiscal years 2014 and 2013, respectively. These gross deferred tax assets were offset by deferred tax liabilities of $294 million and $259 million at the end of fiscal years 2014 and 2013, respectively, and a valuation allowance of $74 million and $77 million at the end of fiscal years 2014 and 2013, respectively. The change in the gross deferred tax assets and deferred tax liabilities between fiscal year 2014 and 2013 is primarily due to accrual for future tax liability due to the expected repatriation of foreign earnings of certain of our foreign subsidiaries for 2014 and amortization of convertible debt, offset by increase in deferred tax assets related to accounting allowances and reserves.

Our fiscal years 2014 and 2013 valuation allowance of $74 million and $77 million primarily relate to California and certain foreign deferred tax assets.

At our fiscal year end of June 29, 2014 we continue to record a valuation allowance to offset the entire California deferred tax asset balance due to the impact of 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.

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 or are otherwise released from our 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 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 requirement 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 warranties to customers as part of the overall price of the system. We provide standard warranties for our systems. 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.

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"), excluding market-based performance RSUs, based on the fair market value of Company stock at the date of grant. We estimate the fair value of our market-based performance RSUs using a Monte Carlo simulation model at the date of the 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 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 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 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. In our goodwill impairment analysis we first assess qualitative factors to determine whether it is necessary to perform a quantitative analysis. We do not 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 the first day of our fourth quarter, March 31, 2014, did not result in a goodwill impairment charge, nor did we record any goodwill impairment in fiscal 2013 or 2012. As a result of historical performance and growth potential, our single-wafer 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 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 in fiscal year 2015 and are currently in the process of determining the impact, if any, on our financial position.

In April 2014, the FASB released Accounting Standards Update 2014-8 "Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity." The new standard re-defines discontinued operations and requires only those disposals of components of an entity, including classifications as held for sale, that represent a strategic shift that has, or will have, a major effect on an entity's operations and financial results to be reported as discontinued operations. In addition, the new standard expands the disclosure requirements of discontinued operations. We are required to adopt this standard starting in fiscal year 2015 and are currently in the process of determining the impact, if any, on our financial position.

In May 2014, the FASB released Accounting Standards Update 2014-9 "Revenue from Contracts with Customers" to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new standard defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. We are required to adopt this standard starting in the first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the standard; or (ii) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard. We are currently evaluating the impact of our pending adoption of this standard on our financial position.

Liquidity and Capital Resources

Total gross cash, cash equivalents, short-term investments, and restricted cash and investments balances were $3.2 billion at the end of fiscal year 2014 compared to $2.7 billion at the end of fiscal year 2013. This increase was primarily the result of $717 million of cash flow from operating activities. Approximately $2.2 billion and $2.0 billion of our total cash and investments as of June 29, 2014 and June 30, 2013, respectively, were held outside the U.S. in our foreign subsidiaries, the majority of which 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 $717 million during fiscal year 2014 consisted of (in millions):

Net income	$ 632
Non-cash charges:	
Depreciation and amortization	292
Equity-based compensation	104
Deferred income taxes	8
Amortization of convertible note discount	33
Impairment	12
Gain on sale of real estate	(83)
Changes in operating asset and liability accounts	(293)
Other	12
	$ 717

Significant changes in operating asset and liability accounts, net of foreign exchange impact, included the following uses of cash: increases in accounts receivable of $201.5 million, inventories of $190.1 million, and prepaid expenses and other assets of $9.5 million, partially offset by the following sources of cash: increases in accounts payable of $18.7 million, deferred profit of $10.9 million and accrued liabilities of $78.6 million.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal year 2014 was $265.2 million, which was primarily due to net purchases of available-for-sale securities of $284.0 million, and capital expenditures of $145.5 million, partially offset by cash proceeds on the sale of assets of $156.7 million.

Cash Flows from Financing Activities

Net cash used for financing activities during fiscal year 2014 was $162.7 million, which was primarily due to $244.9 million in treasury stock repurchases, partially offset by net proceeds from issuance of Common Stock related to employee equity-based plans of $77.7 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 29, 2014 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 that are recorded on our balance sheet in accordance with GAAP include our long-term debt which is outlined in the following table. Our off-balance sheet arrangements are presented as operating leases and purchase obligations in the table. Our contractual obligations and commitments as of June 29, 2014, relating to these agreements and our guarantees are included in the following table. The amounts in the table below exclude $258 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 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	$ 45,242	$ 15,109	$ 19,748	$ 5,578	$ 5,482	$(675)
Capital Leases	12,321	1,857	1,829	8,635	—	—
Purchase Obligations	205,696	185,450	12,148	5,170	2,928	—
Long-term Debt and Interest Expense*	2,119,729	26,248	499,965	491,665	1,101,851	—
Total	$2,382,988	$228,664	$533,690	$511,048	$1,110,261	$(675)

* As noted above, the conversion period for the 2041 Notes opened as of June 30, 2013 and remains open as of June 29, 2014. 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 to our Consolidated Financial Statements, included in Item 15 of this report, for additional information concerning the 2041 Notes and associated conversion feature.

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 $191 million. See Note 14 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 29, 2014 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 a rate of 1.25% per annum. The Notes may be converted into our Common Stock, under certain circumstances, based on a conversion rate of 15.9128 shares of our Common Stock per $1,000 principal amount of Notes, which is equal to a conversion price of approximately $62.84 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 a conversion rate of 28.5572 shares of Common Stock per $1,000 principal amount of notes, which represents a conversion price of approximately $35.02 per share of Common Stock.

During fiscal year 2014, 2013, and 2012 we made $1.7 million, $2.2 million, and $5.3 million, respectively, in principal payments on long-term debt and capital leases, respectively.

Revolving Credit Arrangements

On March 12, 2014, we entered into a $300 million revolving unsecured credit facility with a syndicate of lenders that matures on March 12, 2019. The facility includes an option for us to, subject to certain requirements, request an increase in the facility of up to an additional $200 million, for a potential total commitment of $500 million. Proceeds from the credit facility can be used for general corporate purposes. Interest on amounts borrowed under the credit facility is, at our option, based on (i) a base rate, defined as the greatest of (a) prime rate, (b) Federal Funds rate plus 0.5%, or (c) one-month LIBOR plus 1.0%, plus a spread of 0.0% to 0.5% or (ii) LIBOR plus a spread of 0.9% to 1.5%, in each case the applicable spread is determined based on the rating of our non-credit enhanced, senior unsecured long-term debt. Principal, and any accrued and unpaid interest, is due and payable upon maturity. Additionally, we will pay the lenders a quarterly commitment fee that varies based on our rating described above. The credit facility contains certain restrictive covenants including maintaining a consolidated debt to total capitalization ratio of no more than 0.5 to 1.0 and maintaining unrestricted or unencumbered cash and investments, of no less than $1.0 billion. As of June 29, 2014, we had no borrowings outstanding under the credit facility and were in compliance with all financial covenants.

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 29, 2014, 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 29, 2014, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was $20.6 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.

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

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 29, 2014, 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 29, 2014 were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 29, 2014	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	$ 336,959	$ 336,951	$ 336,716	$ 335,433	$ 333,555	$ 331,677	$ 329,799
US Treasury & Agencies	214,385	214,373	214,018	212,587	210,783	208,980	207,177
Government-Sponsored Enterprises	27,894	27,894	27,850	27,692	27,503	27,315	27,126
Foreign Government Bond	35,928	35,925	35,764	35,467	35,159	34,852	34,546
Corporate Notes and Bonds	1,019,017	1,018,062	1,014,386	1,008,788	1,003,035	997,284	991,533
Mortgage Backed Securities - Residential	27,603	27,421	27,189	26,944	26,703	26,460	26,216
Mortgage Backed Securities - Commercial	113,661	113,210	112,585	111,933	111,281	110,629	109,977
Total	$1,775,447	$1,773,836	$1,768,508	$1,758,844	$1,748,019	$1,737,197	$1,726,374

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 29, 2014, we had $1.6 billion in principal amount of fixed-rate long-term debt outstanding, with a fair value of $2.6 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 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 29, 2014 were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 29, 2014	Valuation of Securities Given an X% Increase in Stock Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Mutual Funds	$16,319	$18,494	$19,582	$21,758	$23,934	$25,022	$27,198

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.

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.

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 29, 2014 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 29, 2014	Valuation of Fx Contracts Given an X% Increase (+)/Decrease(-) in Each Fx Rate	
				+ / - (10%)	+ / - (15%)
				(in $ Millions)	
Cash Flow Hedge					
Sell	Japanese Yen	$98.5	$ 0.5	$ 9.8	$14.7
Buy	Euro	93.9	(0.6)	9.3	14.0
			($ 0.1)	$19.1	$28.7

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 29, 2014 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 29, 2014	Valuation of Fx Contracts Given an X% Increase (+)/Decrease(-) in Each Fx Rate	
				+ / - (10%)	+ / - (15%)
				(in $ Millions)	
Balance Sheet Hedge					
Sell	Japanese Yen	$30.3	$ 0.0	$3.0	$ 4.6
Buy	Korean Won	19.5	0.0	2.0	2.9
Buy	Swiss Francs	7.0	0.0	0.7	1.1
Buy	Taiwan Dollar	32.9	(0.5)	3.3	5.0
Buy	Euro	0.5	0.0	0.1	0.1
			($ 0.5)	$9.1	$13.7

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*

Design of Disclosure Controls and Procedures and Internal Control over Financial Reporting

We maintain disclosure controls and procedures and internal control over final reporting that are designed to comply with Rule 13a-15 of the Exchange Act. In designing and evaluating the controls and procedures associated with each, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and that 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.

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of June 29, 2014, 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 1992 report entitled "Internal Control — Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company's internal control over financial reporting. Based on that evaluation, management has concluded that the Company's internal control over financial reporting was effective as of June 29, 2014 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 2014 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.

Item 9B. *Other Information*

None.

PART III

We have omitted from this 2014 Form 10-K certain information required by Part III because we, as the Registrant, will file a definitive proxy statement with the 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 6, 2014 (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 2014 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 "Nominees for 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 - Board Committees — Audit Committee."

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," "Executive Compensation and Other Information — Compensation Committee Interlocks and Insider Participation," "Executive Compensation and Other Information — 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

2. Index to Financial Statement Schedules

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

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

(b) The list of Exhibits follows page 99 of this 2014 Annual Report on Form 10-K and is incorporated herein by this reference.

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

	June 29, 2014	June 30, 2013
ASSETS		
Cash and cash equivalents	$ 1,452,677	$ 1,162,473
Short-term investments	1,612,967	1,334,745
Accounts receivable, less allowance for doubtful accounts of $4,962 as of June 29, 2014 and $5,448 as of June 30, 2013	800,616	602,624
Inventories	740,503	559,317
Prepaid expenses and other current assets	176,899	134,670
Total current assets	4,783,662	3,793,829
Property and equipment, net	543,496	603,910
Restricted cash and investments	146,492	166,536
Goodwill	1,466,225	1,452,196
Intangible assets, net	894,078	1,074,345
Other assets	159,353	159,499
Total assets	$ 7,993,306	$ 7,250,315
LIABILITIES AND STOCKHOLDERS' EQUITY		
Trade accounts payable	$ 223,515	$ 200,254
Accrued expenses and other current liabilities	604,296	464,528
Deferred profit	235,923	225,038
Current portion of long-term debt, convertible notes, and capital leases	518,267	514,655
Total current liabilities	1,582,001	1,404,475
Long-term debt, convertible notes, and capital leases	817,202	789,256
Income taxes payable	258,357	246,479
Other long-term liabilities	122,662	134,313
Total liabilities	2,780,222	2,574,523
Commitments and contingencies		
Senior convertible notes	183,349	186,920
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 - 162,350 shares at June 29, 2014 and 162,873 shares at June 30, 2013	162	163
Additional paid-in capital	5,239,567	5,084,544
Treasury stock, at cost, 92,867 shares at June 29, 2014 and 89,205 shares at June 30, 2013	(3,757,076)	(3,539,830)
Accumulated other comprehensive loss	(28,655)	(28,693)
Retained earnings	3,575,737	2,972,688
Total stockholders' equity	5,029,735	4,488,872
Total liabilities and stockholders' equity	$ 7,993,306	$ 7,250,315

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Revenue	$4,607,309	$3,598,916	$2,665,192
Cost of goods sold	2,599,828	2,195,857	1,581,123
Gross margin	2,007,481	1,403,059	1,084,069
Research and development	716,471	683,688	444,559
Selling, general and administrative	613,341	601,300	401,777
Total operating expenses	1,329,812	1,284,988	846,336
Operating income	677,669	118,071	237,733
Gain on sale of real estate	83,090	—	—
Other expense, net	(37,396)	(51,413)	(33,315)
Income before income taxes	723,363	66,658	204,418
Income tax expense (benefit)	91,074	(47,221)	35,695
Net income	$ 632,289	$ 113,879	$ 168,723
Net income per share:			
Basic net income per share	$ 3.84	$ 0.67	$ 1.36
Diluted net income per share	$ 3.62	$ 0.66	$ 1.35
Number of shares used in per share calculations:			
Basic	164,741	168,932	124,176
Diluted	174,503	173,430	125,233

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 29, 2014	**June 30, 2013**	**June 24, 2012**
Net income	$632,289	$113,879	$168,723
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	4,192	5,303	(37,332)
Cash flow hedges:			
Net unrealized gains (losses) during the period	8,004	10,607	(9,342)
Net losses (gains) reclassified into earnings	(10,892)	(7,573)	8,549
	(2,888)	3,034	(793)
Available-for-sale investments:			
Net unrealized gains (losses) during the period	1,407	(3,844)	(204)
Net losses (gains) reclassified into earnings	165	4,137	(849)
	1,572	293	(1,053)
Defined benefit plans, net change in unrealized component	(2,838)	(3,505)	(4,401)
Other comprehensive income (loss), net of tax	38	5,125	(43,579)
Comprehensive income	$632,327	$119,004	$125,144

See Notes to Consolidated Financial Statements

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

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 632,289	$ 113,879	$ 168,723
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	292,254	304,116	100,825
Deferred income taxes	7,537	(70,155)	42,446
Impairment of long-lived assets	11,632	—	—
Impairment of investment	—	3,711	1,724
Equity-based compensation expense	103,700	99,330	81,559
Income tax benefit on equity-based compensation plans	5,973	(483)	1,510
Excess tax benefit on equity-based compensation plans	(6,065)	539	(2,686)
Amortization of convertible note discount	33,063	31,558	27,028
Gain on sale of real estate	(83,090)	—	—
Other, net	12,669	37,201	11,743
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	(201,549)	162,634	66,064
Inventories	(190,058)	76,351	73,987
Prepaid expenses and other assets	(9,504)	2,880	43,171
Trade accounts payable	18,704	(58,081)	12,145
Deferred profit	10,886	60,205	(9,236)
Accrued expenses and other liabilities	78,608	(43,752)	(119,975)
Net cash provided by operating activities	717,049	719,933	499,028
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(145,503)	(160,795)	(107,272)
Cash acquired in (paid for) business acquisition	(30,227)	(9,916)	418,681
Purchases of available-for-sale securities	(1,312,244)	(1,097,956)	(883,429)
Sales and maturities of available-for-sale securities	1,028,278	1,039,551	841,440
Purchase of equity method and other investments	—	—	(10,740)
Receipt of loan payments (loans made)	10,000	(10,000)	8,375
Proceeds from sale of assets	156,397	660	2,677
Transfer of restricted cash and investments	28,085	(181)	(6)
Net cash (used for) provided by investing activities	(265,214)	(238,637)	269,726
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(1,658)	(2,234)	(5,265)
Excess tax benefit on equity-based compensation plans	6,065	(539)	2,686
Treasury stock purchases	(244,859)	(955,661)	(772,663)
Net cash received in settlement of stock repurchase contracts	—	—	55,194
Reissuances of treasury stock related to employee stock purchase plan	42,926	31,265	25,525
Proceeds from issuance of common stock	34,791	39,379	1,776
Net cash used for financing activities	(162,735)	(887,790)	(692,747)
Effect of exchange rate changes on cash	1,104	4,215	(3,387)
Net increase (decrease) in cash and cash equivalents	290,204	(402,279)	72,620
Cash and cash equivalents at beginning of year	1,162,473	1,564,752	1,492,132
Cash and cash equivalents at end of year	$ 1,452,677	$ 1,162,473	$1,564,752
Schedule of noncash transactions			
Accrued payables for stock repurchases	$ 3,392	$ —	$ 20,853
Supplemental disclosures:			
Cash payments for interest	$ 26,489	$ 26,635	$ 8,246
Cash payments for income taxes, net	$ 18,157	$ 7,695	$ 29,113

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 26, 2011	123,579	$124	$1,531,465	$(1,761,591)	$ 9,761	$2,690,086	$2,469,845
Sale of common stock	1,513	1	1,767	—	—	—	1,768
Purchase of treasury stock	(21,946)	(22)	158,673	(896,971)	—	—	(738,320)
Income tax benefit on equity-based compensation plans	—	—	1,510	—	—	—	1,510
Reissuance of treasury stock	821	1	3,899	21,626	—	—	25,526
Equity-based compensation expense	—	—	81,559	—	—	—	81,559
Shares issued as acquisition consideration	82,689	83	3,026,905	—	—	—	3,026,988
Acquisition of convertible debt	—	—	137,783	—	—	—	137,783
Exercise of convertible note	—	—	(22)	—	—	—	(22)
Net income	—	—	—	—	—	168,723	168,723
Other comprehensive income	—	—	—	—	(43,579)	—	(43,579)
Balance at June 24, 2012	186,656	187	4,943,539	(2,636,936)	(33,818)	2,858,809	5,131,781
Sale of common stock	3,301	3	39,377	—	—	—	39,380
Purchase of treasury stock	(28,157)	(28)	—	(934,780)	—	—	(934,808)
Income tax benefit on equity-based compensation plans	—	—	(483)	—	—	—	(483)
Reissuance of treasury stock	1,073	1	(622)	31,886	—	—	31,265
Equity-based compensation expense	—	—	99,310	—	—	—	99,310
Shares issued as acquisition consideration	—	—	3,423	—	—	—	3,423
Net income	—	—	—	—	—	113,879	113,879
Other comprehensive income	—	—	—	—	5,125	—	5,125
Balance at June 30, 2013	162,873	163	5,084,544	(3,539,830)	(28,693)	2,972,688	4,488,872
Sale of common stock	3,140	3	34,788	—	—	—	34,791
Purchase of treasury stock	(4,860)	(5)	—	(253,180)	—	—	(253,185)
Income tax benefit on equity-based compensation plans	—	—	5,973	—	—	—	5,973
Reissuance of treasury stock	1,197	1	6,991	35,934	—	—	42,926
Equity-based compensation expense	—	—	103,700	—	—	—	103,700
Reclassification from temporary to permanent equity	—	—	3,571	—	—	—	3,571
Net income	—	—	—	—	—	632,289	632,289
Other comprehensive income	—	—	—	—	38	—	38
Cash dividends declared ($.18 per common share)	—	—	—	—	—	(29,240)	(29,240)
Balance at June 29, 2014	162,350	$162	$5,239,567	$(3,757,076)	$(28,655)	$3,575,737	$5,029,735

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 29, 2014

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 deposition, etch, and single-wafer clean to develop processing solutions that are designed to 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 2014, 2013, and 2012 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, or is otherwise released from our 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 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 requirement 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.

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 RSUs, excluding market-based performance RSUs, was calculated based on the fair market value of Company stock at the date of grant. The fair value of the Company's market-based performance RSUs was calculated using a Monte Carlo simulation model at the date of the 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 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. The Company first assesses qualitative factors to determine whether it is necessary to perform a quantitative analysis. The Company does not 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 29, 2014, June 30, 2013, or June 24, 2012.

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 years ended on June 29, 2014 and June 24, 2012 and included 52 weeks. The fiscal year ended June 30, 2013 included 53 weeks. The Company's next fiscal year, ending on June 28, 2015 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 difference between the cost and fair value of available-for-sale securities is presented as a 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 five 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 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 2014, 2013, or 2012.

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 other income (expense), net 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 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 in fiscal year 2015 and is currently in the process of determining the impact, if any, on its financial position.

In April 2014, the FASB released Accounting Standards Update 2014-8 “Presentation of Financial Statements and Property, Plant and Equipment: Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity.” The new standard re-defines discontinued operations and requires only those disposals of components of an entity, including classifications as held for sale, that represent a strategic shift that has, or will have, a major effect on an entity’s operations and financial results to be reported as discontinued operations. In addition, the new standard expands the disclosure requirements of discontinued operations. The Company is required to adopt this standard starting in fiscal year 2015 and is currently in the process of determining the impact, if any, on its financial position.

In May 2014, the FASB released Accounting Standards Update 2014-9 “Revenue from Contracts with Customers” to supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the standard is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The new standard defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. We are required to adopt this standard starting in the first quarter of fiscal 2018 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the standard; or (ii) retrospective with the cumulative effect of initially applying the standard recognized at the date of initial application and providing certain additional disclosures as defined per the standard. The Company is currently evaluating the impact of its pending adoption of this standard 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	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Fair Value Measurement at June 29, 2014		
		(In thousands)		
Assets				
Short-Term Investments				
Money Market Funds	$1,168,261	$1,168,261	$ —	$—
Municipal Notes and Bonds	335,433	—	335,433	—
US Treasury and Agencies	212,587	212,587	—	—
Government-Sponsored Enterprises	27,692	—	27,692	—
Foreign Government Bonds	35,467	—	35,467	—
Corporate Notes and Bonds	1,008,788	132,549	876,239	—
Mortgage Backed Securities - Residential	26,944	—	26,944	—
Mortgage Backed Securities - Commercial	111,933	—	111,933	—
Total Short-Term Investments	**$2,927,105**	**$1,513,397**	**$1,413,708**	**$—**
Mutual Funds	21,758	21,758	—	—
Derivatives Assets	1,592	—	1,592	—
Total	**$2,950,455**	**$1,535,155**	**$1,415,300**	**$—**
Liabilities				
Derivative liabilities	$ 929	$ —	$ 923	$ 6

The amounts in the table above are reported in the consolidated balance sheet as of June 29, 2014 as follows:

	Total	(Level 1)	(Level 2)	(Level 3)
		(In thousands)		
Reported As:				
Cash Equivalents	$1,173,551	$1,168,261	$ 5,290	$—
Short-Term Investments	1,612,967	204,549	1,408,418	—
Restricted Cash and Investments	140,587	140,587	—	—
Prepaid Expenses and Other Current Assets	1,592	—	1,592	—
Other Assets	21,758	21,758	—	—
Total	**$2,950,455**	**$1,535,155**	**$1,415,300**	**$—**
Accrued Expenses and Other Current Liabilities	$ 923	$ —	$ 923	$—
Other Non-current Liabilities	6	—	—	6
Total Liabilities	$ 929	$ —	$ 923	$ 6

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement at June 30, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Short-Term Investments				
Money Market Funds	$ 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:

	Total	(Level 1)	(Level 2)	(Level 3)
	(In thousands)			
Reported As:				
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 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 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 29, 2014				June 30, 2013			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	$ 285,031	$ —	$ —	$ 285,031	$ 438,813	$ —	$ —	$ 438,813
Fixed Income Money Market Funds	1,168,261	—	—	1,168,261	725,311	—	—	725,311
Municipal Notes and Bonds	334,329	1,108	(4)	335,433	268,390	805	(449)	268,746
US Treasury and Agencies	212,436	178	(27)	212,587	155,648	18	(373)	155,293
Government-Sponsored Enterprises	27,666	41	(15)	27,692	54,835	65	(95)	54,805
Foreign Government Bonds	35,438	57	(28)	35,467	24,950	47	(25)	24,972
Corporate Notes and Bonds	1,007,089	2,034	(335)	1,008,788	861,109	1,328	(1,945)	860,492
Mortgage Backed Securities - Residential	27,067	59	(182)	26,944	27,618	29	(282)	27,365
Mortgage Backed Securities - Commercial	112,642	100	(809)	111,933	108,204	426	(672)	107,958
Total Cash and Short - Term Investments	**$3,209,959**	**$3,577**	**$(1,400)**	**$3,212,136**	**$2,664,878**	**$2,718**	**$(3,841)**	**$2,663,755**
Publicly Traded Equity Securities	$ —	$ —	$ —	$ —	$ 5,610	$1,486	$ —	$ 7,096
Private Equity Securities	—	—	—	—	5,000	—	—	5,000
Mutual Funds	18,784	2,974	—	21,758	16,611	1,619	(14)	18,216
Total Financial Instruments	**$3,228,743**	**$6,551**	**$(1,400)**	**$3,233,894**	**$2,692,099**	**$5,823**	**$(3,855)**	**$2,694,067**
As Reported								
Cash and Cash Equivalents	$1,452,677	$ —	$ —	$1,452,677	$1,162,473	$ —	$ —	$1,162,473
Short-Term Investments	1,610,790	3,577	(1,400)	1,612,967	1,335,868	2,718	(3,841)	1,334,745
Restricted Cash and Investments	146,492	—	—	146,492	166,536	—	—	166,536
Other Assets	18,784	2,974	—	21,758	27,222	3,105	(14)	30,313
Total	**$3,228,743**	**$6,551**	**$(1,400)**	**$3,233,894**	**$2,692,099**	**$5,823**	**$(3,855)**	**$2,694,067**

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, and $1.7 million in fiscal years 2013, and 2012, respectively. There were no other-than-temporary impairment charges in fiscal year 2014. Additionally, gross realized gains/(losses) from sales of investments were approximately $1.5 million and $(2.0) million in fiscal year 2014, $1.6 million and $(1.5) million in fiscal year 2013, and $1.4 million and $(1.0) million in fiscal year 2012, respectively.

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

	June 29, 2014					
	Unrealized Losses Less Than 12 Months		Unrealized Losses 12 Months or Greater		Total	
	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
Fixed Income Securities						
Municipal Notes and Bonds	$ 5,464	$ (4)	$ —	$ —	$ 5,464	$ (4)
US Treasury and Agencies	57,932	(27)	—	—	57,932	(27)
Government-Sponsored Enterprises	10,235	(15)	—	—	10,235	(15)
Foreign Government Bonds	14,999	(28)	—	—	14,999	(28)
Corporate Notes and Bonds	180,834	(293)	6,973	(42)	187,807	(335)
Mortgage Backed Securities - Residential	7,993	(87)	7,656	(95)	15,649	(182)
Mortgage Backed Securities - Commercial	71,848	(533)	25,316	(276)	97,164	(809)
Total Fixed Income	**$349,305**	**$(987)**	**$39,945**	**$(413)**	**$389,250**	**$(1,400)**

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	$1,464,736	$1,465,185
Due after one year through five years	1,146,839	1,149,380
Due in more than five years	313,353	312,540
	$2,924,928	$2,927,105

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-U.S. 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 29, 2014 or June 30, 2013 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 29, 2014, the Company had losses of $0.1 million in accumulated Other Comprehensive Income ("AOCI"), 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 29, 2014, 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	$ —	$98,501	$ —	$30,342
Swiss Franc	—	—	7,023	—
Euro	93,872	—	543	—
Korean Won	—	—	19,537	—
Taiwan Dollar	—	—	99,601	66,746
	$93,872	$98,501	$126,704	$97,088

The fair value of derivatives instruments in the Company's consolidated balance sheet as of June 29, 2014 and June 30, 2013 were as follows:

	June 29, 2014				June 30, 2013			
	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	$ 483	Accrued liabilities	$805	Prepaid expense and other assets	$4,858	Accrued liabilities	$1,577
Derivatives not designated as hedging instruments:								
Foreign exchange forward contracts	Prepaid expense and other assets	1,109	Accrued liabilities	118	Prepaid expense and other assets	71	Accrued liabilities	43
Total derivatives		**$1,592**		**$923**		**$4,929**		**$1,620**

Under the master agreements with the respective counterparties to our foreign exchange contracts, subject to applicable requirements, we are allowed to net settle transactions of the same currency with a single net amount payable by one party to the other. However, we have elected to present the derivative assets and derivative liabilities on a gross basis in our balance sheet. As of June 29, 2014, the potential effect of rights of set-off associated with the above foreign exchange contracts would be an offset to both assets and liabilities by $0.5 million, resulting in a net derivative asset of $1.1 million. As of June 30, 2013, the potential effect of rights of set-off associated with the above foreign exchange contracts would be an offset to both assets and liabilities by $1.6 million, resulting in a net derivative asset of $3.3 million. We are not required to pledge, nor are we entitled to receive, cash collateral related to these derivative transactions

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 29, 2014			Twelve Months Ended June 30, 2013		
	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
		(in thousands)			(in thousands)	
Revenue	$7,939	$ 9,027	$277	$ 8,322	$10,036	$ 376
Cost of goods sold	812	2,393	(52)	2,443	(1,229)	(271)
Selling, general, and administrative	318	1,087	(23)	1,154	(416)	(130)
Other income (expense)	—	—	—	—	—	(8)
	$9,069	$12,507	$202	$11,919	$ 8,391	$ (33)

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 29, 2014	June 30, 2013
Derivatives Not Designated as Hedging Instruments:	Location of Gain (Loss) Recognized in Income	Gain Recognized in Income	Loss Recognized in Income
		(in thousands)	
Foreign Exchange Contracts	Other income (expense)	$8,205	($1,585)

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 29, 2014, four customers accounted for approximately 15%, 13%, 12% and 12% of accounts receivable. As of June 30, 2013, two customers accounted for approximately 22% and 14% 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 29, 2014	June 30, 2013
	(in thousands)	
Raw materials	$449,623	$312,484
Work-in-process	126,564	101,530
Finished goods	164,316	145,303
	$740,503	$559,317

Note 6: Property and Equipment

Property and equipment, net, consist of the following:

	June 29, 2014	June 30, 2013
	(in thousands)	
Manufacturing, engineering and office equipment	$ 612,688	$ 521,047
Computer equipment and software	131,184	120,144
Land	52,784	65,360
Buildings	199,544	249,126
Leasehold improvements	80,569	76,225
Furniture and fixtures	20,026	21,110
	1,096,795	1,053,012
Less: accumulated depreciation and amortization	(553,299)	(449,102)
	$ 543,496	$ 603,910

Depreciation expense, including amortization of capital leases, during fiscal years 2014, 2013, and 2012, was $129.1 million, $126.5 million, and $74.0 million, respectively.

During the fiscal year 2014, the Company sold its interest in property and equipment with a net book value of $82.6 million. These assets consist primarily of buildings and land, resulting in the decrease to those asset categories above. The Company realized a $7.1 million impairment on the sale of an interest in building and associated land and an $83.1 million gain on sale of a separate interest in buildings and land in the Consolidated Statement of Operations in fiscal year 2014. No significant impairment or gain on sale were realized in fiscal years 2013 or 2012.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 29, 2014	June 30, 2013
	(in thousands)	
Accrued compensation	$311,054	$254,795
Warranty reserves	68,324	52,252
Income and other taxes payable	93,934	39,420
Dividends payable	29,240	—
Other	101,744	118,061
	$604,296	$464,528

Note 8: Other Income (Expense), Net

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

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
	(in thousands)		
Interest income	$ 12,540	$ 14,737	$ 12,141
Interest expense	(61,692)	(60,408)	(38,962)
Gains (losses) on deferred compensation plan related assets, net	9,559	9,764	(914)
Foreign exchange gains (losses), net	1,529	(6,808)	(397)
Other, net	668	(8,698)	(5,183)
	$(37,396)	$(51,413)	$(33,315)

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 29, 2014	June 30, 2013	June 24, 2012
	(in thousands, except per share data)		
Numerator:			
Net income	$632,289	$113,879	$168,723
Denominator:			
Basic average shares outstanding	164,741	168,932	124,176
Effect of potential dilutive securities:			
Employee stock plans	2,864	2,558	910
Convertible notes	6,898	1,940	147
Diluted average shares outstanding	174,503	173,430	125,233
Net income per share - basic	$ 3.84	$ 0.67	$ 1.36
Net income per share - diluted	$ 3.62	$ 0.66	$ 1.35

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 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Number of options and RSUs excluded	78	534	382

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 30, 2013	$(17,178)	$ 2,822	$ (15)	$(14,322)	$(28,693)
Other comprehensive income (loss) before reclassifications	4,976	8,004	1,407	(2,838)	11,549
Losses (gains) reclassified from accumulated other comprehensive income to net income	(784)	(10,892) (1)	165 (2)	—	(11,511)
Net current-period other comprehensive income (loss)	$ 4,192	$ (2,888)	$1,572	$ (2,838)	$ 38
Balance as of June 29, 2014	$(12,986)	$ (66)	$1,557	$(17,160)	$(28,655)

(1) Amount of after tax gains reclassified from accumulated other comprehensive income into net income located in revenue: $8,009; cost of goods sold: $2,057; and selling, general and administrative expenses: $826.

(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 29, 2014	June 30, 2013	June 24, 2012
	(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	$(1,065)	$(1,312)	$ —
Tax expense on gains/losses reclassified to earnings	1,615	818	—
	550	(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	(735)	1,428	233
Tax (benefit) expense on gains/losses reclassified to earnings	493	(2,026)	474
	(242)	(598)	707
Tax benefit on change in unrealized components of defined benefit plans	1,895	586	944
Tax benefit (expense) on other comprehensive income(loss)	$ 2,203	$ (506)	$1,651

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 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
Granted	166,455	$51.76	2,811,602	$53.21
Exercised	(1,403,019)	$24.75		
Canceled	(2,473)	$30.21	(281,476)	$41.16
Vested restricted stock			(1,736,453)	$40.39
June 29, 2014	1,331,886	$32.20	5,635,469	$45.83

Outstanding and exercisable options presented by price range at June 29, 2014 were 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-$19.05	152,182	4.41	$13.09	152,182	$13.09
$21.04-$25.60	201,958	2.86	$22.46	192,569	$22.42
$26.87-29.68	476,518	4.21	$29.26	377,573	$29.28
$31.45-$35.68	45,906	6.77	$32.63	19,446	$33.09
$42.41-$51.76	455,322	6.00	$45.94	—	—
$9.44-$51.76	1,331,886	4.73	$32.20	741,770	$24.28

The Lam Research Corporation 2007 Stock Incentive Plan, as amended, and 2011 Stock Incentive Plan, as amended, (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 29, 2014 there were a total of 6,967,355 shares subject to options and RSUs issued and outstanding under the Company's Stock Plans. As of June 29, 2014, there were a total of 9,189,362 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. During fiscal years 2014 and 2013, there was no increase to the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP. During fiscal year 2012 the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.8 million.

During fiscal year 2014, a total of 1,196,629 shares of the Company's Common Stock were sold to employees under the 1999 ESPP. At June 29, 2014, 8,377,578 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 29, 2014	**June 30, 2013**	**June 24, 2012**
		(in millions)	
Equity-based compensation expense	$103.7	$99.3	$81.6
Income tax benefit recognized in the Consolidated Statement of Operations related to equity-based compensation	$ 16.9	$17.6	$12.2
Tax benefit realized from the exercise and vesting of options and RSUs	$ 32.0	$21.6	$11.8

Stock Options

The fair value of the Company's stock options granted during fiscal years 2014, 2013 and fiscal year 2012, in connection with the acquisition of Novellus, 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:

	Year Ended		
	June 29, 2014	**June 30, 2013**	**June 24, 2012**
Expected volatility	35.28%	36.60%	38.04%
Risk-free interest rate	1.39%	0.81%	0.55%
Expected term (years)	4.78	4.79	3.89
Dividend yield	0%	0%	0%

The year-end intrinsic value relating to stock options for fiscal years 2014, 2013, and 2012 is presented below:

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
		(millions)	
Intrinsic value - options outstanding	$46.3	$44.9	$49.9
Intrinsic value - options exercisable	$31.7	$36.9	$30.1
Intrinsic value - options exercised	$41.4	$25.4	$ 1.3

As of June 29, 2014, there was $4.7 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 1.5 years.

Restricted Stock Units

The fair value of the Company's RSUs was calculated based upon the fair market value of the Company's stock at the date of grant. As of June 29, 2014, there was $179.3 million of total unrecognized compensation cost related to unvested RSUs granted; that cost is expected to be recognized over a weighted average remaining vesting period of 2.0 years.

During the fiscal year 2014, the Company issued RSUs with both a market condition and a service condition (market-based performance RSUs, or "market-based PRSUs"). Based upon the terms of such awards, the number of shares that can be earned over the performance periods is based on our Common Stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index ("SOX"), ranging from 0% to 150% of target. The stock price performance or market price performance is measured using the closing price for the 50-trading days prior to the dates the performance period begins and ends. The target number of shares represented by the market-based PRSUs is increased by 2% of target for each 1% that Common Stock price performance exceeds the market price performance of the SOX index. The result of the vesting formula is rounded down to the nearest whole number. Total stockholder return is a measure of stock price appreciation in this performance period. As of June 29, 2014 0.6 million market-based PRSUs were outstanding. These market-based PRSUs generally vest two or three years from the grant date and require continued employment. Stock compensation expense for the market-based PRSUs was $3.8 million for the year ended June 29, 2014. No market-based PRSUs were awarded in earlier periods. The total unrecognized compensation expense and weighted-average remaining life for these awards is included in the preceding disclosure.

ESPP

ESPP rights were valued using the Black-Scholes model. During fiscal years 2014, 2013, and 2012 ESPP was valued assuming the following weighted-average assumptions:

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
Expected life (years)	0.68	0.64	0.72
Expected stock price volatility	30.24%	32.42%	44.22%
Risk-free interest rate	0.07%	0.15%	0.11%
Dividend yield	0%	0%	0%

As of June 29, 2014, there was $2.4 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 the United States. 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 $10.2 million, $8.7 million, and $5.8 million, in fiscal years 2014, 2013, and 2012, 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 29, 2014 and June 30, 2013 the liability of the Company to the plan participants was $93.8 million and $79.7 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 29, 2014 and June 30, 2013 the Company had investments in the aggregate amount of $116.7 million and $98.1 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 $29.0 million and $21.4 million as of June 29, 2014 and June 30, 2013, respectively.

Note 13: Long Term Debt and Other Borrowings

The following table reflects the carrying value of the Company's convertible notes and other long-term debt as of June 29, 2014 and June 30, 2013:

	June 29, 2014	June 30, 2013
	(in millions)	
0.50% Notes due 2016	$ 450.0	$ 450.0
Less: Unamortized interest discount	(30.4)	(45.7)
Net carrying amount of 0.50% Notes due 2016	419.6	404.3
1.25% Notes due 2018	450.0	450.0
Less: Unamortized interest discount	(62.7)	(76.9)
Net carrying amount of 1.25% Notes due 2018	387.3	373.1
2.625% Notes due 2041	699.9	699.9
Less: Unamortized interest discount	(183.3)	(186.9)
Net carrying amount of 2.625% Notes due 2041	516.6	513.0
Total debt	1,323.5	1,290.4
Less: current portion of debt	(516.6)	(513.0)
Long-term debt	$ 806.9	$ 777.4

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 a conversion rate of 15.9128 shares of Common Stock per $1,000 principal amount of notes (which represents a conversion price of approximately $62.84 per share of Common Stock). The applicable conversion rate is adjusted in certain circumstances, including the declaration and payment of cash dividends. 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., 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 a conversion rate of 28.5572 shares of Common Stock per $1,000 principal amount of notes (which represents a conversion price of approximately $35.02 per share of Common Stock). The applicable conversion rate is adjusted in certain circumstances, including the declaration and payment of cash dividends. 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 29, 2014. The effective interest rates on the liability components of the 2016 Notes, the 2018 Notes, and the 2041 Notes for the year ended June 29, 2014 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 29, 2014, June 30, 2013, and June 24, 2012.

	June 29, 2014	**June 30, 2013**	**June 24, 2012**
		(in millions)	
Contractual interest coupon	$26.2	$26.2	$ 9.2
Amortization of interest discount	33.1	31.6	27.0
Amortization of issuance costs	2.4	2.4	2.4
Total interest cost recognized	$61.7	$60.2	$38.6

The remaining bond discount of the 2016 Notes, the 2018 Notes, and the 2041 Notes of $30.4 million, $62.7 million, and $183.3 million, respectively, as of June 29, 2014 will be amortized over their respective remaining lives of approximately 1.9 years, 3.9 years, and 26.9 years. As of June 29, 2014, the if-converted value of the 2016, 2018 and 2041 Notes exceeded the aggregate principal amount by $29 million, $29 million and $638 million, respectively.

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 conversion price to $71.14 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 issuable upon conversion of the 2016 Notes in full, at a price of $62.84 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 $71.14 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 29, 2014, 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 conversion price to $75.89 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 issuable upon conversion of the 2018 Notes in full, at a price of $62.84 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 $75.89 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 29, 2014, 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, and each consecutive quarter through June 29, 2014, 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 and continue to be convertible through September 28, 2014. However, there have been no conversions of the 2041 Notes as of August 25, 2014.

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 29, 2014 and June 30, 2013. 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 29, 2014 and June 30, 2013. 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 29, 2014, 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 29, 2014, the fair values of the 2016 Notes, 2018 Notes, and 2041 Notes, which includes the debt and equity components, were approximately $556.3 million, $600.8 million, and $1,397.4 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 29, 2014 were as follows:

	Long-term Debt
	(in thousands)
Payments due by period:	
One year*	$ 699,935
Two years	450,000
Three years	—
Four years	450,000
Five years	—
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 December 29, 2013, and remains open as of June 29, 2014. 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 25, 2014, none of the 2041 Notes had been converted during the conversion period beginning December 29, 2013.

Revolving Credit Facility

On March 12, 2014, the Company entered into a $300 million revolving unsecured credit facility with a syndicate of lenders that matures on March 12, 2019. The facility includes an option, subject to certain requirements, for the Company to request an increase in the facility of up to an additional $200 million, for a potential total commitment of $500 million. Proceeds from the credit facility can be used for general corporate purposes.

Interest on amounts borrowed under the credit facility is, at the Company's option, based on (i) a base rate, defined as the greatest of (a) prime rate, (b) Federal Funds rate plus 0.5%, or (c) one-month LIBOR plus 1.0%, plus a spread of 0.0% to 0.5%, or (ii) LIBOR plus a spread of 0.9% to 1.5%, in each case the applicable spread is determined based on the rating of the Company's non-credit enhanced, senior unsecured long-term debt. Principal, and any accrued and unpaid interest, is due and payable upon maturity. Additionally, the Company will pay the lenders a quarterly commitment fee that varies based on the Company's rating described above. The credit facility contains certain restrictive covenants including maintaining a consolidated debt to total capitalization ratio of no more than 0.5 to 1.0 and maintaining unrestricted or unencumbered cash and investments of no less than $1.0 billion. As of June 29, 2014, we had no borrowings outstanding under the credit facility and were in compliance with all financial covenants.

Note 14: Commitments and Contingencies

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 $258.4 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 29, 2014 were as follows:

	Capital Leases
	(in thousands)
Payments due by period:	
One year	$ 1,857
Two years	1,829
Three years	8,635
Total	12,321
Interest on capital leases	338
Current portion of capital leases	1,681
Long-term portion of capital leases	$10,302

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 2014, 2013, and 2012 was approximately $12 million, $14 million, and $11 million, respectively.

On December 31, 2013, the Company extinguished its two operating leases regarding certain improved properties in Livermore, California and its four amended and restated operating leases regarding certain improved properties in Fremont, California and entered into six amended operating leases (the "Operating Leases") regarding certain improved properties at the Company's headquarters in Fremont, California and certain other improved properties in Livermore, California.

The Operating Leases have a term of approximately seven years ending on December 31, 2020. The Company may, at its discretion and with 30 days' notice, elect to purchase the property that is the subject of the Operating Leases 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.

As of June 29, 2014, the Company was required, pursuant to the terms of the Operating Leases, to maintain cash collateral in an aggregate of approximately $132.5 million in separate interest-bearing accounts and marketable securities collateral in an aggregate of approximately $8.0 million as security for the Company's obligations under the Operating Leases. These amounts are recorded as restricted cash and investments in the Company's Consolidated Balance Sheet as of June 29, 2014.

During the term of the Operating Leases and when the terms of the Operating Leases expire, the property subject to those Operating Leases 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 $191.2 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 $220.0 million, in the aggregate.

The Company's contractual cash obligations with respect to operating leases, excluding the residual value guarantees discussed above, as of June 29, 2014 were as follows:

	Operating Leases
	(in thousands)
Payments due by period:	
One year	$15,109
Two years	11,047
Three years	8,701
Four years	3,029
Five years	2,549
Over five years	5,482
Less: Sublease Income	(675)
Total	$45,242

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 29, 2014, 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 29, 2014, the maximum potential amount of future payments that we could be required to make under these arrangements and letters of credit was $20.6 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 29, 2014 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 29, 2014 were as follows:

	Purchase Obligations
	(in thousands)
Payments due by period:	
One year	$185,450
Two years	8,279
Three years	3,869
Four years	2,585
Five years	2,585
Over five years	2,928
Total	$205,696

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 29, 2014	June 30, 2013
	(in thousands)	
Balance at beginning of period	$ 58,078	$ 70,161
Warranties issued during the period	87,922	74,779
Settlements made during the period	(80,280)	(92,456)
Changes in liability for pre-existing warranties	3,665	5,594
Balance at end of period	$ 69,385	$ 58,078

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.

Note 15: Income Taxes

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

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
United States	$ 78,076	$ (46,392)	$ (6,950)
Foreign	645,287	113,050	211,368
	$723,363	$ 66,658	$204,418

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

	Year Ended		
	June 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Federal:			
Current	$31,762	$ (1,096)	$ 5,038
Deferred	10,692	(60,172)	(1,033)
	$42,454	$(61,268)	$ 4,005
State:			
Current	$ 3,192	$ 3,332	$ 1,297
Deferred	(869)	(6,351)	336
	$ 2,323	$ (3,019)	$ 1,633
Foreign:			
Current	$49,273	$ 20,640	$33,871
Deferred	(2,976)	(3,574)	(3,814)
	$46,297	$ 17,066	$30,057
Total Provision (Benefit) for Income Taxes	$91,074	$(47,221)	$35,695

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 and liabilities were as follows:

	June 29, 2014	June 30, 2013
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 170,028	$ 169,371
Allowances and reserves	126,895	94,720
Equity-based compensation	18,019	19,586
Inventory valuation differences	16,257	22,833
Other	12,065	11,286
Gross deferred tax assets	343,264	317,796
Valuation allowance	(74,439)	(76,594)
Net deferred tax assets	268,825	241,202
Deferred tax liabilities:		
Intangible Assets	(87,329)	(94,836)
Convertible debt	(117,112)	(98,482)
Temporary differences for capital assets	(32,350)	(41,470)
Amortization of goodwill	(11,409)	(9,950)
Unremitted earnings of a foreign subsidiary	(34,346)	(2,936)
Other	(11,017)	(11,645)
Gross deferred tax liabilities	(293,563)	(259,319)
Net deferred tax assets	$ (24,738)	$ (18,117)

The change in the gross deferred tax assets, gross deferred tax liabilities and valuation allowance between fiscal year 2014 and 2013 is primarily attributable to accrual for future tax liability due to the expected repatriation of foreign earnings and amortization of convertible debt, offset by an increase in deferred tax assets related to allowances and reserves. 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 $74.4 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 29, 2014, the Company had federal net operating loss carryforwards of approximately $134.5 million. The majority of these losses will begin to expire in the year 2019, and are subject to limitations on their utilization.

As of June 29, 2014, the Company had state net operating loss carryforwards of approximately $31.9 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. The tax benefits relating to approximately $5.0 million of state net operating loss carryforwards will be credited to additional paid-in-capital when recognized.

At June 29, 2014, the Company had federal tax credit carryforwards of approximately $107.8 million, of which $17.9 million will begin to expire in fiscal year 2017 and $87.1 million will begin to expire in fiscal year 2030. The remaining balance of $2.8 million of credits may be carried forward indefinitely. The tax benefits relating to approximately $13.0 million of federal tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 29, 2014, the Company had state tax credit carryforwards of approximately $212.0 million. Substantially all state tax credit carryforwards may be carried forward indefinitely. The tax benefits relating to approximately $37.0 million of the state tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 29, 2014, the Company had foreign net operating loss carryforwards of approximately $60.3 million, of which approximately $38.5 million may be carried forward indefinitely and $21.9 million will begin to expire in fiscal year 2015.

A reconciliation of income tax expense provided at the federal statutory rate (35% in fiscal years 2014, 2013, and 2012) to actual income expense is as follows:

	Year Ended		
	June 29, 2014	**June 30, 2013**	**June 24, 2012**
		(in thousands)	
Income tax expense computed at federal statutory rate	$ 253,177	$ 23,332	$ 71,546
State income taxes, net of federal tax benefit	1,884	(13,588)	(4,895)
Foreign income taxed at different rates	(164,130)	(40,255)	(51,425)
Tax credits	(15,650)	(42,593)	(5,791)
State valuation allowance, net of federal tax benefit	(1,707)	11,538	5,862
Equity-based compensation	23,167	20,318	14,123
Acquisition costs	—	—	5,683
Other permanent differences and miscellaneous items	(5,667)	(5,973)	592
	$ 91,074	$(47,221)	$ 35,695

Effective fiscal year 2014 through June 2023, the Company obtained a new tax ruling for one of its foreign subsidiaries in Switzerland. In the prior years, the Company had a tax holiday in Switzerland which was effective from fiscal year 2003 through June 2013. The impact of the tax ruling decreased income taxes by approximately $7.4 million, $10.8 million and $22.3 million for fiscal years 2014, 2013 and 2012, respectively. The benefit of the tax ruling on diluted earnings per share was approximately $0.04 in fiscal year 2014, $0.06 in fiscal year 2013 and $0.18 in fiscal year 2012.

Unremitted earnings of the Company's foreign subsidiaries included in consolidated retained earnings aggregated to approximately $2.9 billion at June 29, 2014. 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 $697.5 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 29, 2014, the total gross unrecognized tax benefits were $352.1 million compared to $333.1 million as of June 30, 2013, and $343.8 million as of June 24, 2012. During fiscal year 2014, gross unrecognized tax benefits increased by approximately $19.0 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $269.4 million, $257.7 million, and $278.2 million as of June 29, 2014, June 30, 2013, and June 24, 2012, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
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**
Lapse of statute of limitations	(16.0)
Increases in balances related to tax positions taken during prior periods	6.2
Decreases in balances related to tax positions taken during prior periods	(4.2)
Increases in balances related to tax positions taken during current period	33.0
Balance as of June 29, 2014	**$ 352.1**

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $29.5 million, $25.5 million, and $25.2 million, cumulatively, for gross interest and penalties as of June 29, 2014, June 30, 3013, and June 24, 2012, respectively.

The Internal Revenue Service ("IRS") has contacted the Company for a limited scope audit of Novellus' U.S. income tax return for the years 2010, 2011, and 2012. 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 29, 2014, tax years 2004-2013 remain subject to examination in the jurisdictions where the Company operates.

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

Note 16: Goodwill and Intangible Assets

Goodwill

There were no significant changes in the goodwill balance during the twelve months ended June 29, 2014. 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 29, 2014:

	Gross	Accumulated Amortization	Net
		(in thousands)	
Customer relationships	$ 615,618	$(169,162)	$446,456
Existing technology	643,922	(224,246)	419,676
Patents	32,253	(24,407)	7,846
Other intangible assets	35,270	(35,270)	—
Intangible assets subject to amortization	1,327,063	(453,085)	873,978
In process research and development	11,000		11,000
Development rights	9,100		9,100
Intangible assets not subject to amortization	20,100		20,100
Total intangible assets	$1,347,163	$(453,085)	$894,078

The following table provides details of the Company's intangible assets as of June 30, 2013:

	Gross	Accumulated Amortization	Net
		(in thousands)	
Customer relationships	$ 624,686	$(103,519)	$ 521,167
Existing technology	653,628	(139,894)	513,734
Patents	32,053	(22,036)	10,017
Backlog	10,000	(10,000)	—
Other intangible assets	35,216	(34,889)	327
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 Company recognized $163.2 million, $177.6 million, and $26.9 million, in intangible asset amortization expense during fiscal years 2014, 2013, and 2012, respectively. The Company recognized a $4.0 million impairment of in process research and development during fiscal year 2014, due to the cancellation of a project.

The estimated future amortization expense of intangible assets, excluding those with indefinite lives, as of June 29, 2014 was as follows:

Fiscal Year	Amount
	(in thousands)
2014	$156,719
2015	154,215
2016	152,494
2017	151,398
2018	120,254
Thereafter	138,898
	$873,978

Intangible assets acquired during the 2014 fiscal year were as follows:

	Amount	Weighted-Average Useful Life
	(in thousands)	(Years)
Customer relationships	$1,800	7
Existing technology	7,228	6
Patents	200	5
Total acquired intangible assets	$9,228	6

Note 17: 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 seven geographic regions: United States, Europe, Japan, Korea, Taiwan, China and Southeast Asia. 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 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Revenue:			
Korea	$1,127,406	$ 603,821	$ 893,549
Taiwan	1,049,214	1,026,548	467,922
Japan	634,131	368,095	308,189
China	623,408	319,282	143,769
United States	622,022	734,324	458,531
Europe	303,730	292,432	244,038
Southeast Asia	247,398	254,414	149,194
	$4,607,309	$3,598,916	$2,665,192

	June 29, 2014	June 30, 2013	June 24, 2012
		(in thousands)	
Long-lived assets:			
United States	$429,548	$484,273	$463,156
Europe	89,221	109,934	107,893
Korea	18,776	991	993
Taiwan	4,259	2,953	3,169
China	846	2,291	3,673
Southeast Asia	454	2,788	4,644
Japan	392	680	1,068
	$543,496	$603,910	$584,596

In fiscal year 2014, three customers accounted for approximately 23%, 15%, and 14% of total revenues. 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.

Note 18: Stock Repurchase Program

On April 22, 2013, the Board of Directors authorized the repurchase of up to $250 million of Company Common Stock. The Company completed the repurchase of approximately $202 million available under this share repurchase authorization in the year ended June 29, 2014.

On April 29, 2014, the Board of Directors authorized the repurchase of up to $850 million of Company Common Stock, including the unutilized value from the April 22, 2013 authorization. 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 30, 2013				$250,000
Quarter ended September 29, 2013	1,935	$96,462	$48.06	$153,538
Quarter ended December 29, 2013	762	$39,800	$52.20	$113,738
Quarter ended March 30, 2014	930	$49,414	$53.13	$ 64,324
Authorization of new $850 million - April 2014				$850,000
Quarter ended June 29, 2014	624	$35,486	$56.89	$830,895

* Average price paid per share excludes accelerated share repurchases for which cost was incurred during the September 2013 quarter, but that did not settle until the December 2013 quarter. See Collared Accelerated Share Repurchases section below for details regarding average price associated with the transaction.

** During the quarter ended June 29, 2014, approximately $16.4 million of repurchases were prior to the new $850 million authorization.

In addition to shares repurchased under Board authorized repurchase program shown above, during the year ended June 29, 2014, the Company acquired 608,695 shares at a total cost of $32.0 million which the Company withheld through net share settlements to cover minimum tax withholding obligations upon the vesting of RSU 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 and settled during the year ended June 29, 2014 included the following:

Collared Accelerated Share Repurchases

During the fiscal year ended June 29, 2014, the Company entered into and settled a collared accelerated share repurchase ("ASR") transaction under a master repurchase arrangement. Under the ASR, the Company made an up-front cash payment of $75 million, in exchange for an initial delivery of 1.2 million shares of its Common Stock and a subsequent delivery of 0.3 million shares following the initial hedge period.

The number of shares to ultimately be repurchased by the Company is based generally on the volume-weighted average price (“VWAP”) of the 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 the transaction were established based on the average of the VWAP prices for the Common Stock during an initial hedge period. At the conclusion of the ASR, the Company could have receive additional shares based on the VWAP of the Common Stock during the term of the agreement minus the pre-determined fixed discount; however, the total number of shares received under the ASR would not exceed the maximum of 1.7 million shares.

The counterparty designated October 28, 2013 as the termination date, at which time the Company settled the ASR. No additional shares were received at final settlement, which represented a weighted-average share price of approximately $50.40 for the transaction period.

The Company accounted for the 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 ASR 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 Common Stock met all of the applicable criteria for equity classification in accordance with the Derivatives and Hedging topic of the FASB Accounting Standards Codification, and, therefore, the ASR was not accounted for as a derivative instrument. As of June 29, 2014, the aggregate repurchase price of $75 million was reflected as Treasury stock, at cost, in the Consolidated Balance Sheet.

Note 19: Subsequent Events

On July 2, 2014, the Company sold substantially all of Peter Wolters, a wholly owned subsidiary acquired as part of the Novellus acquisition, with net proceeds on sale of approximately $59 million. The pre-tax gain on sale is estimated at approximately $6 million.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited the accompanying consolidated balance sheets of Lam Research Corporation as of June 29, 2014 and June 30, 2013, 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 29, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lam Research Corporation at June 29, 2014 and June 30, 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 29, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lam Research Corporation's internal control over financial reporting as of June 29, 2014, 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 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 26, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited Lam Research Corporation internal control over financial reporting as of June 29, 2014, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework). 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 [title of management's report]. 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 29, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2014 consolidated financial statements of Lam Research Corporation and our report dated August 26, 2014 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California
August 26, 2014

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 26, 2014

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, Chief Executive Officer and Director	August 26, 2014
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 26, 2014
Other Directors		
/s/ Stephen G. Newberry Stephen G. Newberry	Chairman	August 26, 2014
/s/ Eric K. Brandt Eric K. Brandt	Director	August 26, 2014
/s/ Michael R. Cannon Michael R. Cannon	Director	August 26, 2014
/s/ Youssef A. El-Mansy Youssef A. El-Mansy	Director	August 26, 2014
/s/ Christine Heckart Christine Heckart	Director	August 26, 2014
/s/ Grant M. Inman Grant M. Inman	Director	August 26, 2014
/s/ Catherine P. Lego Catherine P. Lego	Director	August 26, 2014
/s/ Krishna Saraswat Krishna Saraswat	Director	August 26, 2014
/s/ William R. Spivey William R. Spivey	Director	August 26, 2014
/s/ Abhi Talwalkar Abhi Talwalkar	Director	August 26, 2014

LAM RESEARCH CORPORATION
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

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 29, 2014				
Deducted from asset accounts:				
Allowance for doubtful accounts . . .	$5,448	$ 14	$(500)	$4,962
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

(1) During fiscal year 2012, write-off, net of recoveries represents $0.1 million of recoveries against previously written-off balances

LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED JUNE 29, 2014
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(29)	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(29)	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
4.3(3)*	Amended and restated 1999 Stock Option Plan.
4.4(19)*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.5(6)*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.6(23)*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
4.7(10)*	Lam Research Corporation Elective Deferred Compensation Plan.
4.8(10)*	Lam Research Corporation Elective Deferred Compensation Plan II.
4.9(13)	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.
4.10(9)	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.
10.1(1)*	Form of Indemnification Agreement.
10.2(4)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan
10.3(5)	Form of Restricted Stock Unit Award Agreement — Outside Directors (U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.4(5)	Form of Restricted Stock Unit Award Agreement — Outside Directors (non-U.S. Agreement) — Lam Research Corporation 2007 Stock Incentive Plan.
10.5(7)*	Form of Indemnification Agreement.
10.6(7)*	Reformation of Stock Option Agreement.
10.7(8)*	Stock Option Amendment and Special Bonus Agreement.

10.8(11)*	Employment Agreement with Stephen G. Newberry, dated November 30, 2011.
10.9(11)*	Employment Agreement with Martin B. Anstice, dated November 30, 2011.
10.10(12)*	Employment Agreement with Timothy M. Archer, dated March 6, 2012.
10.11(9)*	Form of Indemnification Agreement.
10.12(14)*	Form of Novellus Directors and Officers Indemnification Agreement.
10.13(15)	Lease Guaranty between Novellus and Phoenix Industrial Investment Partners, L.P. dated January 21, 2003.
10.14(16)	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.
10.15(17)*	Novellus Amended Executive Voluntary Deferred Compensation Plan, as amended.
10.16(18)*	Novellus Accelerated Stock Vesting Retirement Plan Summary.
10.17(20)*	Novellus Systems, Inc. 2011 Stock Incentive Plan, as amended July 18, 2012.
10.18(23)*	Forms of Nonstatutory Stock Option Agreement under the Novellus 2011 Stock Incentive Plan.
10.19(20)*	Forms of restricted stock unit award agreement under the Novellus 2011 Stock Incentive Plan.
10.20(21)*	Employment Agreement with Douglas R. Bettinger, dated February 25, 2013.
10.21(23)*	Form of Nonstatutory Stock Option Agreement — Lam Research Corporation 2007 Stock Incentive Plan.
10.22(22)*	Employment Agreement with Ernest E. Maddock, dated September 7, 2012.
10.23(22)*	Employment Agreement with Richard A. Gottscho, dated September 7, 2012.
10.24(22)*	Form of Change in Control Agreement.
10.25(25)*	Form of Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.26(24)*	Form of Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.27(24)*	Form of Nonstatutory Stock Option Award Agreement (U.S. Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.28(24)*	Form of Nonstatutory Stock Option Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.29(24)*	Form of Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.30(24)*	Form of Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.31(24)*	Form of Nonstatutory Stock Option Award Agreement (U.S. Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.32(24)*	Form of Nonstatutory Stock Option Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.33(24)	Participation Agreement between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013

10.34(24)	Amended and Restated Lease Agreement (1 Portola Avenue Building) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.35(24)	Pledge Agreement (1 Portola Avenue Building) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.36(24)	Amended and Restated Lease Agreement (101 Portola Avenue Building) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.37(24)	Pledge Agreement (101 Portola Avenue Building) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.38(24)	Amended and Restated Lease Agreement (Fremont Building #1) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.39(24)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.40(24)	Amended and Restated Lease Agreement (Fremont Building #3) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.41(24)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.42(24)	Amended and Restated Lease Agreement (Fremont Building #3E) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.43(24)	Pledge Agreement (Fremont Building #3E) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.44(24)	Amended and Restated Lease Agreement (Fremont Building #4) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.45(24)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.46(24)	Construction Agency Agreement (Fremont Building #3E) between Lam Research Corporation and BTMU Capital Leasing & Finance, Inc, dated December 31, 2013
10.47(24)*	Form of Amendment to Employment Agreement
10.48(24)*	Form of Amendment to Change in Control Agreement
10.49(25)*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.50(25)*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation 2007 Stock Incentive Plan
10.51(25)*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (U.S. Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.52(25)*	Form of Market-Based Performance Restricted Stock Unit Award Agreement (International Participants) — Lam Research Corporation (Novellus Systems, Inc.) 2011 Stock Incentive Plan (As Amended)
10.53(26)	Credit Agreement dated March 12, 2014 among Lam Research Corporation and the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, BNP Paribas, Barclays Bank PLC, Citibank, N.A. and Deutsche Bank Securities Inc., as co-documentation agents, and J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint bookrunners and joint lead arrangers

20.1(27)	Notice of Adjustment of Conversion Rate pursuant to the Indentures dated 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 0.5% Senior Convertible Notes Due 2016 and the 1.25% Senior Convertible Notes Due 2018, and Notice of Adjustment of Conversion Rate pursuant to the indenture dated May 10, 2011, by and between Novellus Systems Incorporated and The Bank of New York Mellon Trust company, N.A. as Trustee with respect to the 2.625% Senior Convertible Notes Due 2041.
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 Quarterly Report on Form 10-Q for the quarter ended December 29, 2002.
(4) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 24, 2006.
(5) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 25, 2007.
(6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 27, 2010.
(7) Incorporated by reference to Registrant's Current Report on Form 8-K filed on November 13, 2008.
(8) Incorporated by reference to Registrant's Current Report on Form 8-K filed on May 8, 2008.
(9) Incorporated by reference to Registrant's Current Report on Form 8-K filed on June 4, 2012.
(10) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 26, 2011.
(11) Incorporated by reference to Registrant's Current Report on Form 8-K filed on December 5, 2011.
(12) Incorporated by reference to Registrant's Amendment No. 1 to Registration Statement on Form S-4, filed on March 6, 2012.
(13) Incorporated by reference to Novellus' Current Report on Form 8-K filed on May 10, 2011 (SEC File No. 000-17157).

(14) Incorporated by reference to Novellus' Current Report on Form 10-Q filed on August 13, 2002 (SEC File No. 000-17157).
(15) Incorporated by reference to Novellus' Annual Report on Form 10-K filed on March 5, 2003 (SEC File No. 000-17157).
(16) Incorporated by reference to Novellus' Current Report on Form 8-K filed on September 24, 2004 (SEC File No. 000-17157).
(17) Incorporated by reference to Novellus' Report on Form 10-Q filed on November 5, 2008 (SEC File No. 000-17157).
(18) Incorporated by reference to Novellus' Quarterly Report on Form 10-Q filed on November 2, 2010 (SEC File No. 000-17157).
(19) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 23, 2012.
(20) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 24, 2012.
(21) Incorporated by reference to Registrant's Current Report on Form 8-K filed on February 26, 2013.
(22) Incorporated by reference to Registrant's Current Report on Form 8-K filed on September 10, 2012.
(23) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2013
(24) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended December 29, 2013
(25) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on February 18, 2014.
(26) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on March 13, 2014.
(27) Incorporated by reference to the Registrant's Current Form 8-K filed on June 10, 2014.
(28) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 22, 2013.
(29) Incorporated by reference to the Registrant's Current Report on Form 8-K filed on May 11, 2011.
*   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 Service Co., Ltd.	China
Novellus Systems Semiconductor Equipment Shanghai Co. Ltd.	China
Novellus Systems International Trading (Shanghai) Co. Ltd.	China
Lam Research International Holding Company	Delaware, United States
Metryx, Inc.	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
Lam Research GmbH	Germany
Lam Research (H.K.) Limited	Hong Kong
Novellus Systems Service (Hong Kong) Limited	Hong Kong
Lam Research Illionois IAG, Inc	Illinois, United States
Lam Research (India) Private 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 (in liquidation)	Italy
Lam Research Co., Ltd.	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

SUBSIDIARY	STATE OR OTHER JURISDICTION OF OPERATION
Lam Research Korea LLC YH	Republic of Korea
Novellus Singapore Pte. Ltd., Korea Branch	Republic of Korea
Corus Manufacturing Ltd.	Republic of Korea
Lam Research Singapore Pte Ltd	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
Metryx, Ltd.	United Kingdom
Lam Research IAG (U.K.) Ltd	United Kingdom
Novellus Systems UK Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1. Registration statement (Form S- 4 No. 333- 30545) of Lam Research Corporation and in the related Prospectus
2. Registration statement (Form S-4 No. 333- 179267) of Lam Research Corporation and in the related Prospectus
3. Registration Statement (Form S-8 No. 333-66833) pertaining to the 1999 Employee Stock Purchase Plan
4. Registration Statement (Form S-8 No. 333- 72751) pertaining to the Lam Research Corporation 1999 Stock Option Plan
5. Registration Statement (Form S-8 No. 333- 93115) pertaining to the Lam Research Corporation 1999 Stock Option Plan
6. Registration Statement (Form S-8 No. 333- 74500) pertaining to the 1999 Stock Option Plan, As Amended
7. Registration Statement (Form S-8 No. 333- 84638) pertaining to the Savings Plus Plan, Lam Research 401(K)
8. Registration Statement (Form S-8 No. 333- 127936) pertaining to the 1997 Stock Incentive Plan, as amended, 1999 Stock Option Plan, as amended, 1999 Employee Stock Purchase Plan, as amended
9. Registration Statement (Form S-8 No. 333- 138545) pertaining to the 2007 Stock Incentive Plan, as amended
10. Registration Statement (Form S-8 No. 333- 156335) pertaining to the 1999 Employee Stock Purchase Plan, as amended
11. Registration Statement (Form S-8 No. 333- 181878) pertaining to the Novellus Systems, Inc. 2011 Stock Incentive Plan (the “2011 Novellus Plan”) Novellus Systems, Inc. Retirement Plan (the “Retirement Plan”) Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended (the “ESPP”)
12. Registration Statement (Form S-8 No. 333- 185641) pertaining to the Savings Plus Plan, Lam Research 401(k).

Of our reports dated August 26, 2014, 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) of Lam Research Corporation for the year ended June 29, 2014, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

San Jose, California
August 26, 2014

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 26, 2014

/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 26, 2014

/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 29, 2014 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 26, 2014

/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 29, 2014 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 26, 2014

/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.

BOARD OF DIRECTORS

Stephen G. Newberry
Chairman

Martin B. Anstice
President and
Chief Executive Officer

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

Michael R. Cannon
General Partner
MRC & LBC Partners, LLC
Retired President of
Global Operations
Dell Inc.

Youssef A. El-Mansy, Ph.D.
Retired Vice President,
Director of Logic Technology
Development
Intel Corporation

Christine A. Heckart
Chief Marketing Officer
Brocade Communications Systems, Inc.

Grant M. Inman
General Partner
Inman Investment Management

Catherine P. Lego
Member
Lego Ventures, LLC

Krishna C. Saraswat, Ph.D.
Rickey/Nielsen Professor,
School of Engineering
Stanford University

William R. Spivey, Ph.D.
Retired President and
Chief Executive Officer
Luminent, Inc.

Abhijit Y. Talwalkar
Former President and
Chief Executive Officer
LSI Corporation

As of September 2, 2014

EXECUTIVE OFFICERS

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

Richard A. Gottscho, Ph.D.
Executive Vice President,
Global Products

Sarah A. O'Dowd, Esq.
Senior Vice President and
Chief Legal Officer

201409-01808/7K

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