

LAM RESEARCH CORP  
Form S-4/A  
March 23, 2012  
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As filed with the U.S. Securities and Exchange Commission on March 23, 2012

Registration No. 333-179267

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Amendment No. 2**  
**to**  
**Form S-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**LAM RESEARCH CORPORATION**

(Exact name of registrant as specified in its charter)

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<b>Delaware</b> (State or other jurisdiction of incorporation or organization)	<b>3559</b> (Primary Standard Industrial Classification Code Number) 4650 Cushing Parkway Fremont, California 94538  (510) 572-0200	<b>94-2634797</b> (I.R.S. Employer Identification No.)
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(Address, including ZIP code, and telephone number, including area code, of registrant's principal executive offices)

**Sarah A. O Dowd, Group Vice President and Chief Legal Officer**

**Lam Research Corporation**  
**4650 Cushing Parkway**  
**Fremont, California 94538**  
**(510) 572-0200**

(Name, address, including ZIP code, and telephone number, including area code, of agent for service)

*Copies to:*

<b>George M. Schisler, Jr.</b> Vice President, General Counsel and Secretary <b>Lam Research Corporation</b> 4650 Cushing Parkway Fremont, CA 94538  (510) 572-0200	<b>Timothy G. Hoxie</b> <b>Daniel R. Mitz</b> <b>Stephen E. Gillette</b> <b>David B. Sikes</b> <b>Jones Day</b> 1755 Embarcadero Road Palo Alto, CA 94303  (650) 739-3939	<b>Andrew Gottlieb</b> Vice President and General Counsel <b>Novellus Systems, Inc.</b> 4000 N. First Street San Jose, CA 95134  (408) 943-9700	<b>Robert S. Townsend</b> <b>Brandon C. Parris</b> <b>Morrison &amp; Foerster LLP</b> 425 Market Street San Francisco, CA 94105  (415) 268-7522
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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed joint proxy statement/prospectus.

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If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

### CALCULATION OF REGISTRATION FEE

Title of Class of Securities to be Registered(1)	Amount to be Registered(2)	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(4)(5)
Common stock, par value \$0.001 per share	86,124,282	N/A	\$3,597,315,549.83	\$412,252.36

- (1) This Registration Statement relates to common stock, par value \$0.001 per share ( Lam Research common stock ), of Lam Research Corporation ( Lam Research ) issuable to holders of common stock, no par value ( Novellus common stock ), of Novellus Systems, Inc. ( Novellus ), in the proposed merger (the merger ) of Novellus with BLMS Inc., a wholly-owned subsidiary of Lam Research. Lam Research common stock is listed on the NASDAQ Global Select Market under the symbol LRCX. Novellus common stock is listed on the NASDAQ Global Select Market under the symbol NVLS.
- (2) Consists of Lam Research s estimate of the maximum number of shares of Lam Research common stock to be issued in exchange for shares of Novellus common stock. This number is based on the exchange of 86,124,282 shares of Lam Research common stock for 76,554,917 shares of Novellus common stock (which is the sum of 69,646,093 shares of Novellus common stock outstanding as of December 31, 2011 and 6,908,824 shares of Novellus common stock expected to be issued in settlement of equity awards prior to closing and after December 31, 2011) pursuant to the formula set forth in the Agreement and Plan of Merger (the merger agreement ), dated as of December 14, 2011, by and among Lam Research, BLMS, Inc. and Novellus.
- (3) Estimated solely for purposes of calculating the registration fee required by Section 6(b) of the Securities Act, and calculated pursuant to Rules 457(f)(1) and 457(c) under the Securities Act, the proposed maximum aggregate offering price of the registrant s common stock was calculated based upon the market value of shares of Novellus common stock (the securities to be cancelled in the merger) in accordance with Rule 457(c) under the Securities Act as follows: the product of (1) \$46.99, the average of the high and low prices per shares of Novellus common stock on January 30, 2012, as quoted on the NASDAQ, multiplied by (2) 76,554,917, the estimated maximum number of shares of Novellus common stock which may be exchanged in the merger.
- (4) Determined in accordance with Section 6(b) of the Securities Act by multiplying the proposed maximum aggregate offering price by 0.00011460.
- (5) Previously paid.

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The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act, or until the Registration Statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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**Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This joint proxy statement/prospectus shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of such securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to appropriate registration or qualification under the securities laws of such jurisdiction.**

**PRELIMINARY SUBJECT TO COMPLETION DATED MARCH 23, 2012**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Lam Research Corporation ( Lam Research ) and Novellus Systems, Inc. ( Novellus ) have agreed to a business combination (the merger ) and have entered into an Agreement and Plan of Merger, dated as of December 14, 2011 (the merger agreement ). Pursuant to the terms of the merger agreement, BLMS Inc., a wholly owned subsidiary of Lam Research, will merge with and into Novellus, with Novellus surviving as a wholly owned subsidiary of Lam Research. Upon completion of the merger, Lam Research will be the parent company of Novellus.

Upon completion of the merger, Novellus shareholders will receive 1.125 shares of Lam Research common stock for each share of Novellus common stock that they own (the exchange ratio ). This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger. Based on the closing price of Lam Research common stock on the NASDAQ Global Select Market (the NASDAQ ) on December 13, 2011, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$45.20 in value for each share of Novellus common stock. Based on the closing price of Lam Research common stock on the NASDAQ on March 22, 2012, the latest practicable trading day before the date of this joint proxy statement/prospectus, the exchange ratio represented approximately \$48.88 in value for each share of Novellus common stock. Lam Research stockholders will continue to own their existing Lam Research shares. Lam Research common stock is currently traded on the NASDAQ under the symbol LRCX, and Novellus common stock is currently traded on the NASDAQ under the symbol NVLS. **We urge you to obtain current market quotations of Lam Research and Novellus common stock.**

We intend for the merger to qualify as a reorganization for U.S. federal income tax purposes. Accordingly, Novellus shareholders are not expected to recognize any gain or loss for U.S. federal income tax purposes upon the exchange of shares of Novellus common stock for shares of Lam Research common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Lam Research common stock.

Based on the estimated number of shares of Lam Research and Novellus common stock that will be outstanding immediately prior to the closing of the merger, we estimate that, upon such closing, Lam Research stockholders will own approximately 59.0% of Lam Research and former Novellus shareholders will own approximately 41.0% of Lam Research.

Lam Research and Novellus will each hold a special meeting of the respective holders of its common stock in connection with the proposed merger. At the special meeting of Lam Research stockholders, Lam Research stockholders will be asked to vote on the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and on the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance. The proposal to issue shares of Lam Research common stock and any adjournment proposal will be approved if the holders of a majority of the shares of Lam Research common stock present in person or represented by proxy at the Lam Research special meeting and entitled to vote approve such proposal.

At the special meeting of Novellus shareholders, Novellus shareholders will be asked to vote on the proposal to approve the merger, the merger agreement and the principal terms thereof, to vote on a proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger, the merger agreement and the principal terms thereof, and to vote on a proposal to approve, on an advisory (non-binding) basis, the compensation that may be paid or become payable to Novellus named executive officers in connection with the merger and the agreements and understandings pursuant to which such compensation may be paid or become payable (the merger-related executive compensation ). The proposal to approve the merger, the merger agreement and the principal terms thereof will be approved if the holders of a majority of the outstanding shares of Novellus common stock entitled to vote on the proposal vote to approve the proposal. The proposal to approve the merger-related executive compensation and any adjournment proposal will be approved if the holders of a majority of the shares of Novellus common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum) vote to approve the proposal, assuming that a quorum is present.

We cannot complete the merger unless the stockholders of Lam Research approve the proposal to issue the shares of Lam Research common stock to Novellus shareholders pursuant to the merger and the shareholders of Novellus approve the merger, the merger agreement and the principal terms thereof, in both cases as described above. **Your vote is very important, regardless of the number of shares you own. Whether or not you expect to attend the applicable special meeting in person, please submit a proxy to vote your shares as promptly as possible so that your shares may be represented and voted at the Lam Research or the Novellus special meeting, as applicable.**

The Lam Research board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, are fair to, advisable and in the best interests of Lam Research and its stockholders. **The Lam Research board of directors unanimously recommends that the Lam Research stockholders vote (i) FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to**

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the merger and (ii) **FOR** the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.

The Novellus board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby. **The Novellus board of directors unanimously recommends that the Novellus shareholders vote (i) FOR the proposal to approve the merger, the merger agreement and the principal terms thereof, (ii) FOR the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger, the merger agreement and the principal terms thereof and (iii) FOR the proposal to approve the merger-related executive compensation for Novellus named executive officers.**

The obligations of Lam Research and Novellus to complete the merger are subject to the satisfaction or waiver of several conditions. The accompanying joint proxy statement/prospectus contains detailed information about Lam Research, Novellus, the special meetings, the merger agreement and the merger. **You should read this joint proxy statement/prospectus carefully and in its entirety before voting, including the section entitled Risk Factors beginning on page 20.**

We look forward to the successful combination of Lam Research and Novellus.

Sincerely,

James W. Bagley, Chairman of the Board of Directors, Lam Research Corporation      Richard Hill, Chairman of the Board and Chief Executive Officer, Novellus  
Systems, Inc.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated March 23, 2012 and is first being mailed to Lam Research stockholders and Novellus shareholders on or about [      ].

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**Lam Research Corporation**

**4650 Cushing Parkway**

**Fremont, CA 94538**

**(510) 572-0200**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held On May 10, 2012**

To the Stockholders of Lam Research Corporation:

We are pleased to invite you to attend the special meeting of stockholders of Lam Research Corporation ( "Lam Research" ), a Delaware corporation, which will be held at the principal executive offices of Lam Research, which are located at 4650 Cushing Parkway, Fremont, California 94538 on May 10, 2012, at 8:00 a.m., local time, for the following purposes:

to consider and vote on a proposal to approve the issuance of shares of Lam Research common stock to Novellus Systems, Inc. ( "Novellus" ) shareholders pursuant to the merger contemplated by the Agreement and Plan of Merger, dated as of December 14, 2011, by and among Lam Research, Novellus and BLMS Inc., a wholly owned subsidiary of Lam Research (the "merger agreement" ), a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice forms a part; and

to vote upon a proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal.

Lam Research will transact no other business at the special meeting except such business as may properly be brought before the special meeting (including compliance with the applicable notice provisions in Lam Research's Amended and Restated Bylaws) or any adjournment or postponement thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Lam Research special meeting.

Completion of the merger is conditioned on, among other things, approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger.

**The Lam Research board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, are fair to, advisable and in the best interests of Lam Research and its stockholders. The Lam Research board of directors unanimously recommends that Lam Research stockholders vote:**

**FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger; and**

**FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.**

The Lam Research board of directors has fixed the close of business on March 12, 2012 as the record date for determination of Lam Research stockholders entitled to receive notice of, and to vote at, the Lam Research special meeting or any adjournments or postponements thereof. Only holders of record of Lam Research common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Lam Research special meeting. The issuance of shares of Lam Research common stock requires the affirmative vote



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of holders of a majority of the shares of Lam Research common stock present in person or represented by proxy at the Lam Research special meeting and entitled to vote on the proposal. A list of the names of Lam Research stockholders of record will be available for ten days prior to the Lam Research special meeting for any purpose germane to the special meeting during regular business hours at Lam Research's headquarters, 4650 Cushing Parkway, Fremont, CA 94538. The Lam Research stockholder list will also be available at the Lam Research special meeting for examination by any stockholder present at such meeting.

**Your vote is very important. Whether or not you expect to attend in person, we urge you to submit a proxy to vote your shares as promptly as possible by either (1) logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number located on your meeting notice or proxy card; (2) dialing 1-800-690-6903 and listening for further directions; or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares may be represented and voted at the Lam Research special meeting. If your shares are held in the Lam Research 401(k) Plan or in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished by the plan trustee or administrator, or record holder, as appropriate.**

The enclosed joint proxy statement/prospectus provides a detailed description of the merger and the merger agreement as well as a description of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger. We urge you to read this joint proxy statement/prospectus, including any documents incorporated by reference, and the Annexes carefully and in their entirety. If you have any questions concerning the merger or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Lam Research common stock, please contact Lam Research's proxy solicitor:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, NY 10016

Phone: 800-322-2885

By Order of the Board of Directors of

Lam Research Corporation,

/s/ George M. Schisler, Jr.

George M. Schisler, Jr.

*Secretary*

Fremont, California

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**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To Be Held On May 10, 2012**

To the Shareholders of Novellus Systems, Inc.:

We are pleased to invite you to attend the special meeting of shareholders of Novellus Systems, Inc. ( "Novellus" ), a California corporation, which will be held at Novellus' principal executive offices located at 4000 North First Street, San Jose, California, 95134, on May 10, 2012 at 2:00 p.m., local time, for the following purposes:

to consider and vote on the proposal to merge BLMS Inc. ( "Merger Sub" ), a wholly-owned subsidiary of Lam Research Corporation ( "Lam Research" ), with and into Novellus (the "merger" ), approve the Agreement and Plan of Merger by and among Lam Research, Merger Sub and Novellus, a copy of which is included as Annex A to the joint proxy statement/prospectus of which this notice forms a part (the "merger agreement" ) and the principal terms thereof;

to vote upon the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal regarding the merger; and

to hold an advisory vote on the compensation of Novellus' named executive officers that is based on or otherwise relates to the merger (the "merger-related executive compensation" ).

Novellus will transact no other business at the special meeting except such business as may properly be brought (including compliance with the applicable notice provisions in Novellus' Amended and Restated Bylaws) before the special meeting or any adjournment or postponements thereof. Please refer to the joint proxy statement/prospectus of which this notice forms a part for further information with respect to the business to be transacted at the Novellus special meeting.

**The Novellus board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby. The Novellus board of directors unanimously recommends that Novellus shareholders vote:**

**FOR the proposal to approve the merger, the merger agreement and the principal terms thereof;**

**FOR the adjournment proposal; and**

**FOR the approval of the merger-related executive compensation for Novellus' named executive officers.**

The Novellus board of directors has fixed the close of business on March 14, 2012 as the record date for determination of Novellus shareholders entitled to receive notice of, and to vote at, the Novellus special meeting or any adjournments or postponements thereof. Only holders of record of Novellus common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the Novellus special meeting. Approval of the merger, the merger agreement and the principal terms thereof requires the affirmative vote of holders of a majority of the outstanding shares of Novellus common stock entitled to vote thereon. Approval of the merger-related executive compensation and approval of any adjournment proposal requires the affirmative vote of a majority of the shares of Novellus common stock represented and voting (which shares voting

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affirmatively also constitute at least a majority of the required quorum), assuming that a quorum is present. If a quorum is not present, an adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote and present in person or represented by proxy at the Novellus special meeting. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the proposal to approve the merger, the merger agreement and the principal terms thereof, the special meeting may be adjourned to another time or place without further notice unless the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. A list of the names of Novellus shareholders of record will be available for ten days prior to the Novellus special meeting for any purpose germane to the special meeting between the hours of 9:00 a.m. and 5:00 p.m., local time, at Novellus principal executive offices, located at 4000 North First Street, San Jose, California, 95134. The Novellus shareholder list will also be available at the Novellus special meeting for examination by any shareholder present at such meeting.

**Your vote is very important. Whether or not you expect to attend the Novellus special meeting in person, we urge you to submit a proxy to vote your shares as promptly as possible by either: (1) logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the instructions on your proxy card; (2) dialing 1-800-690-6903 and listening for further directions; or (3) by completing, signing, dating and returning the enclosed Proxy Card promptly in the accompanying envelope, so that your shares may be represented and voted at the Novellus special meeting. Your proxy is revocable in accordance with the procedures set forth in the enclosed joint proxy statement/prospectus. If you attend the special meeting, you may vote in person even if you returned a proxy or voting instructions.**

If your shares are held through the Novellus Systems, Inc. Retirement Plan or held in the name of a broker, bank or other nominee, please follow the instructions on the voting instruction card furnished by the plan trustee or record holder, as applicable.

The enclosed joint proxy statement/prospectus provides a detailed description of the merger, the merger agreement and the principal terms thereof and the merger-related executive compensation. We urge you to read this joint proxy statement/prospectus, including any documents incorporated by reference and the Annexes carefully and in their entirety. If you have any questions concerning the merger, the merger agreement or this joint proxy statement/prospectus, would like additional copies or need help voting your shares of Novellus common stock, please contact Novellus proxy solicitor:

Georgeson Inc.

199 Water Street

New York, NY 10038

Banks and brokers call: (212) 440-9800

Call toll-free: (877) 278-4775

Novellus shareholders who vote against the approval of the merger, the merger agreement and the principal terms thereof may have the right to dissent and seek appraisal of the fair value of their shares of Novellus common stock if the merger is completed, but only if they perfect their dissenters right by complying with all of the required procedures under Chapter 13 of the California Corporations Code and demands for payment have been made with respect to at least five percent of the outstanding shares of Novellus common stock. The specific statutory requirements are summarized in this joint proxy statement/prospectus under Dissenters Rights for Novellus Shareholders and the full text of California s dissenters rights statute is included as Annex E to this joint proxy statement/prospectus.

By Order of the Board of Directors of Novellus,

/s/ Andrew J. Gottlieb

Andrew J. Gottlieb

*Vice President, General Counsel and Secretary*

San Jose, California

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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates important business and financial information about Lam Research and Novellus from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus free of charge by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

**MacKenzie Partners, Inc.**

**105 Madison Avenue**

**New York, NY 10016**

**Phone: 800-322-2885**

**Georgeson Inc.**

**199 Water Street**

**New York, NY 10038**

**Banks and brokers call: (212) 440-9800**

**Call toll-free: (877) 278-4775**

or

or

**Lam Research Corporation**

4650 Cushing Parkway

Fremont, CA 94538

(510) 572-0200

Attn: Investor Relations

**Novellus Systems, Inc.**

4000 North First Street

San Jose, CA 95134

(408) 943-9700

Attn: Investor Relations

Investors may also consult Lam Research's or Novellus' website for more information concerning the merger described in this joint proxy statement/prospectus. Lam Research's website is [www.lamresearch.com](http://www.lamresearch.com). Novellus' website is [www.novellus.com](http://www.novellus.com). Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

**If you would like to request any documents, please do so by April 26, 2012 in order to receive them before the special meetings.**

For a more detailed description of the information incorporated by reference in this joint proxy statement/prospectus and how you may obtain it, see "Where You Can Find More Information".

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**ABOUT THIS JOINT PROXY STATEMENT/PROSPECTUS**

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed with the U.S. Securities and Exchange Commission (the "SEC") by Lam Research, constitutes a prospectus of Lam Research under Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Lam Research common stock to be issued to Novellus shareholders pursuant to the merger. This joint proxy statement/prospectus also constitutes a joint proxy statement for both Lam Research and Novellus under Section 14(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). It also constitutes a notice of meeting with respect to the special meeting of Lam Research stockholders and a notice of meeting with respect to the special meeting of Novellus shareholders.

You should rely only on the information contained in or incorporated by reference into this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated March 23, 2012. You should not assume that the information contained in this joint proxy statement/prospectus is accurate as of any date other than that date. You should not assume that the information incorporated by reference into this joint proxy statement/prospectus is accurate as of any date other than the date of the incorporated document. Neither our mailing of this joint proxy statement/prospectus to Lam Research stockholders or Novellus shareholders nor the issuance by Lam Research of shares of common stock pursuant to the merger will create any implication to the contrary.

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation. Information contained in this joint proxy statement/prospectus regarding Lam Research has been provided by Lam Research and information contained in this joint proxy statement/prospectus regarding Novellus has been provided by Novellus.**

All references in this joint proxy statement/prospectus to "Lam Research" refer to Lam Research Corporation, a Delaware corporation; all references in this joint proxy statement/prospectus to "Novellus" refer to Novellus Systems, Inc., a California corporation; all references to "Merger Sub" refer to BLMS Inc., a California corporation and wholly owned subsidiary of Lam Research formed for the sole purpose of effecting the merger; unless otherwise indicated or as the context requires, all references in this joint proxy statement/prospectus to "we," "our" and "us" refer to Lam Research and Novellus collectively; and, unless otherwise indicated or as the context requires, all references to the "merger agreement" refer to the Agreement and Plan of Merger, dated as of December 14, 2011, by and among Lam Research Corporation, Novellus Systems, Inc. and BLMS Inc., a copy of which is included as Annex A to this joint proxy statement/prospectus.

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**QUESTIONS AND ANSWERS**

*The following are some questions that you, as a stockholder of Lam Research or a shareholder of Novellus, may have regarding the merger and the other matters being considered at the special meetings and the answers to those questions. Lam Research and Novellus urge you to carefully read the remainder of this joint proxy statement/prospectus because the information in this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the special meetings. Additional important information is also contained in the Annexes to, and the documents incorporated by reference into, this joint proxy statement/prospectus.*

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: Lam Research and Novellus have agreed to a business combination pursuant to the terms of the merger agreement that is described in this joint proxy statement/prospectus. A copy of the merger agreement is included in this joint proxy statement/prospectus as Annex A. In order to complete the merger, among other things:

Lam Research stockholders must approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger; and

Novellus shareholders must approve the merger, the merger agreement and the principal terms thereof. Lam Research and Novellus will hold separate special meetings of their stockholders to obtain these approvals. This joint proxy statement/prospectus, including its Annexes, contains and incorporates by reference important information about Lam Research and Novellus, the merger and the stockholder meetings of Lam Research and Novellus. You should read all the available information carefully and in its entirety.

**Q: What will I receive in the merger?**

A: *Lam Research Stockholders:* If the merger is completed, Lam Research stockholders will not receive any merger consideration and will continue to hold their shares of Lam Research common stock.

*Novellus Shareholders:* If the merger is completed, holders of Novellus common stock will receive 1.125 shares of Lam Research common stock for each share of Novellus common stock they hold at the effective time of the merger. Novellus shareholders will not receive any fractional shares of Lam Research common stock in the merger. Instead, Lam Research will pay cash in lieu of any fractional shares of Lam Research common stock that a Novellus shareholder would otherwise have been entitled to receive.

**Q: What is the value of the merger consideration?**

A: Because Lam Research will issue 1.125 shares of Lam Research common stock in exchange for each share of Novellus common stock, the value of the merger consideration that Novellus shareholders receive will depend on the price per share of Lam Research common stock at the effective time of the merger. Because the effective time of the merger will occur some time after the special meetings, that price will not be known at the time of the special meetings and may be less than the current price or the price at the time of the special meetings. We urge you to obtain current market quotations of Lam Research common stock and Novellus common stock.

**Q: When and where will the special stockholders meetings be held?**

A: *Lam Research Stockholders*: The special meeting of Lam Research stockholders will be held at the principal executive offices of Lam Research, which are located at 4650 Cushing Parkway, Fremont, California 94538, on May 10, 2012, at 8:00 a.m., local time.

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*Novellus Shareholders:* The special meeting of Novellus shareholders will be held at Novellus principal executive offices located at 4000 North First Street, San Jose, California, 95134, on May 10, 2012, at 2:00 p.m., local time.

**Q: Who is entitled to vote at the special stockholders meetings?**

A: *Lam Research Stockholders:* The record date for the Lam Research special meeting is March 12, 2012. Only holders of record of outstanding shares of Lam Research common stock as of the close of business on the record date are entitled to notice of, and to vote at, the Lam Research special meeting or any adjournment or postponement of the Lam Research special meeting.

*Novellus Shareholders:* The record date for the Novellus special meeting is March 14, 2012. Only holders of record of outstanding shares of Novellus common stock as of the close of business on the record date are entitled to notice of, and to vote at, the Novellus special meeting or any adjournment or postponement of the Novellus special meeting.

**Q: What constitutes a quorum at the special stockholders meetings?**

A: *Lam Research Stockholders:* Stockholders who hold shares representing a majority of the shares issued and outstanding and entitled to vote at the Lam Research special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Lam Research special meeting. The holders of a majority of the shares issued and outstanding and entitled to vote and present in person or represented by proxy at any meeting of Lam Research stockholders, whether or not a quorum is present, may adjourn such meeting to another time and place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the original meeting. No notice of an adjourned meeting need be given unless the adjournment is for more than 30 days, or if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Abstentions will be included in the calculation of the number of shares of Lam Research common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Lam Research common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

*Novellus Shareholders:* Shareholders who hold shares representing a majority of the shares issued and outstanding and entitled to vote at the Novellus special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Novellus special meeting. If a quorum is not present, the holders of a majority of the shares entitled to vote and present in person or represented by proxy at any meeting of Novellus shareholders may adjourn such meeting to another time and place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the original meeting. No notice of an adjourned meeting need be given unless the adjournment is for more than 45 days, or if after the adjournment, a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Abstentions will be included in the calculation of the number of shares of Novellus common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Novellus common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

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### **Q: How do I vote if I am a stockholder of record?**

A: *Lam Research Stockholders.* If you are a stockholder of record of Lam Research as of the close of business on the record date for the Lam Research special meeting, you may vote in person by attending the Lam Research special meeting or, to ensure your shares are represented at the Lam Research special meeting, you may authorize a proxy to vote by:

logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number located on your meeting notice or proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on May 9, 2012 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on May 9, 2012 and following the instructions provided in the recorded message; or

signing and returning your proxy card in the postage-paid envelope provided.

If you hold Lam Research shares in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the Lam Research special meeting. If you hold shares through an employee plan provided by Lam Research, please see the question below *How are my employee plan shares voted?*

*Novellus Shareholders.* If you are a shareholder of record of Novellus as of the close of business on the record date for the Novellus special meeting, you may vote in person by attending the Novellus special meeting or, to ensure your shares are represented at the Novellus special meeting, you may authorize a proxy to vote by:

logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the instructions on your proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on May 9, 2012 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on May 9, 2012 and following the instructions provided in the recorded message; or

signing and returning your proxy card in the postage-paid envelope provided.

If you hold Novellus shares in street name through a stock brokerage account or through a bank or other nominee, please follow the voting instructions provided by your broker, bank or other nominee to ensure that your shares are represented at the Novellus special meeting. If you hold shares through an employee plan provided by Novellus, please see the question below *How are my employee plan shares voted?*

### **Q: How many votes do I have?**

A: *Lam Research Stockholders:* Holders of Lam Research common stock are entitled to one vote for each share of Lam Research common stock owned as of the close of business on the Lam Research record date. As of the close of business on the Lam Research record date, there were 119,768,891 shares of Lam Research common stock outstanding and entitled to vote at the Lam Research special meeting.

*Novellus Shareholders:* Holders of Novellus common stock are entitled to one vote for each share owned as of the close of business on the Novellus record date. As of the close of business on the Novellus record date, there were 71,243,561 shares of Novellus common stock outstanding and entitled to vote at the Novellus special meeting.

**Q: What vote is required to approve each proposal?**

A: *Lam Research Stockholders*: The issuance of shares of Lam Research common stock and adjournment of the Lam Research special meeting each requires the affirmative vote of holders of a majority of the outstanding shares of Lam Research common stock present in person or represented by proxy at the Lam Research special meeting and entitled to vote on the proposal. Votes to abstain are treated the same as votes against the proposal. Failures to vote and broker non-votes, which are described below, will have no effect on either of the proposals, assuming a quorum is present.

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*Novellus Shareholders:* Approval of the merger, the merger agreement and the principal terms thereof requires the affirmative vote of holders of a majority of the outstanding shares of Novellus common stock entitled to vote on the proposal. Approval of the merger-related executive compensation proposal and any adjournment proposal requires the affirmative vote of a majority of the shares of Novellus common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum), assuming that a quorum is present. If a quorum is not present, approval of the adjournment of the Novellus special meeting requires the affirmative vote of holders of a majority of the shares entitled to vote and present in person or represented by proxy at the Novellus special meeting. Failures to vote, abstentions and broker non-votes, which are described in detail below, will have the effect of a vote against the merger, the merger agreement and the principal terms thereof for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters' rights. See the section entitled *Dissenters' Rights for Novellus Shareholders* for more information. Failures to vote, abstentions and broker non-votes will have no effect on the outcome of the vote on merger-related executive compensation or any vote to adjourn the special meeting, assuming that a quorum is present. If a quorum is not present, abstentions will have the effect of a vote against any adjournment proposal, but failures to vote and broker non-votes will have no effect on any adjournment proposal.

**Q: My shares are held in street name by my broker, bank or other nominee. Will my broker, bank or other nominee automatically vote my shares for me?**

A: No. If your shares are held in the name of a broker, bank or other nominee, you are considered the beneficial holder of the shares held for you in what is known as street name. You are not the record holder of such shares. If this is the case, this joint proxy statement/prospectus has been forwarded to you by your broker, bank or other nominee. As the beneficial holder, unless your broker, bank or other nominee has discretionary authority over your shares, you generally have the right to direct your broker, bank or other nominee as to how to vote your shares. You can contact your broker to obtain instructions on how to instruct them with respect to the voting of your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which your broker, bank or other nominee does not have discretionary authority. This is often called a broker non-vote. In connection with the Lam Research special meeting, broker non-votes will have no effect on the proposal to approve the issuance of shares of Lam Research common stock (assuming a quorum is present). In connection with the Novellus special meeting, broker non-votes will have the same effect as a vote AGAINST the proposal to approve the merger, the merger agreement and the principal terms thereof for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters' rights (see the section entitled *Dissenters' Rights for Novellus Shareholders* for more information). Broker non-votes will have no effect on the outcome of the vote on merger-related executive compensation. You should therefore provide your broker, bank or other nominee with instructions as to how to vote your shares of Lam Research common stock or Novellus common stock.

Please follow the voting instructions provided by your broker, bank or other nominee so that it may vote your shares on your behalf. Please note that you may not vote shares held in street name by returning a proxy card directly to Lam Research or Novellus or by voting in person at your special meeting unless you first obtain a proxy from your broker, bank or other nominee.

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**Q: How are my employee plan shares voted?**

A: *Employees of Lam Research:* If you hold unitized interests in shares of Lam Research's common stock through the Savings Plus Plan, Lam Research 401(k) (the Lam Research 401(k) Plan), you may instruct the trustee of the Lam Research 401(k) Plan, Fidelity Management Trust Company (the trustee), in a confidential manner, how to vote (including an instruction not to vote) the shares allocated to your Lam Research 401(k) Plan account by one of the following three methods:

logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number located on your meeting notice or proxy card to vote over the Internet anytime up to 11:59 p.m., eastern time, on May 7, 2012 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on May 7, 2012 and following the instructions provided in the recorded message; or

marking, signing and mailing your proxy card to the address indicated on your proxy card. Your proxy card must be received by the Lam Research 401(k) Plan trustee at Vote Processing c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, no later than 11:59 p.m., eastern time, on May 7, 2012, to ensure that the trustee is able to vote your shares in accordance with your wishes.

In addition, since only the trustee can vote the shares of Lam Research common stock allocated to your Lam Research 401(k) Plan account, you will not be able to vote those shares personally at the Lam Research special meeting. Please note that the applicable trust agreement governing the Lam Research 401(k) Plan provides that if the trustee does not receive your voting instructions, the trustee will not vote the shares allocated to your Lam Research 401(k) Plan account unless the trustee is required to do so by applicable law.

If you are a participant (or a beneficiary of a deceased participant) in the Lam Research 401(k) Plan and you also own other shares of Lam Research common stock outside of your Lam Research 401(k) Plan account, you should receive a proxy card for shares credited to your account in the Lam Research 401(k) Plan and a separate proxy card if you are a record holder of additional shares of Lam Research common stock or a separate voting instruction card if you hold additional shares of Lam Research common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker, bank or other nominee and shares that are allocated to your Lam Research 401(k) Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of Lam Research common stock.

*Employees of Novellus:* If you hold shares of Novellus's common stock through the Novellus Stock Fund under the Novellus Systems, Inc. Retirement Plan (the Novellus Retirement Plan), you may instruct the trustee of the Novellus Retirement Plan, Vanguard Fiduciary Trust Company, in a confidential manner, how to vote (including an instruction not to vote) the shares allocated to your Novellus Retirement Plan account by one of the following three methods:

logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number located on your meeting notice or proxy card to vote over the Internet anytime up to 5:00 p.m., eastern time, on May 7, 2012 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 5:00 p.m., eastern time, on May 7, 2012 and following the instructions provided in the recorded message; or

marking, signing and mailing your proxy card to the address indicated on your proxy card. Your proxy card must be received by the Novellus Retirement Plan trustee at Vote Processing c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, no later than 5:00 p.m., eastern time, on May 7, 2012, to ensure that the trustee is able to vote your shares in accordance with your wishes.

In addition, since only the trustee can vote the shares of Novellus common stock allocated to your Novellus Retirement Plan account, you will not be able to vote those shares personally at the Novellus special meeting. Please note that the applicable trust agreement governing the



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Novellus Retirement Plan provides that if the trustee does not receive your voting instructions, the trustee will vote the shares allocated to your

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Novellus Retirement Plan account in the same proportions as the shares for which the trustee receives timely voting instructions.

If you are a participant (or a beneficiary of a deceased participant) in the Novellus Retirement Plan and you also own other shares of Novellus common stock outside of your Novellus Retirement Plan account, you should receive a proxy card for shares credited to your account in the Novellus Retirement Plan and a separate proxy card if you are a record holder of additional shares of Novellus common stock or a separate voting instruction card if you hold additional shares of Novellus common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker, bank or other nominee and shares that are allocated to your Novellus Retirement Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of Novellus common stock.

**Q: How does the Lam Research board of directors recommend that Lam Research stockholders vote?**

A: The Lam Research board of directors has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, are fair to, advisable and in the best interests of Lam Research and its stockholders. The Lam Research board of directors unanimously recommends that Lam Research stockholders vote (i) FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and (ii) FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.

**Q: How does the Novellus board of directors recommend that Novellus shareholders vote?**

A: The Novellus board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby. The Novellus board of directors unanimously recommends that Novellus shareholders vote (i) FOR the proposal to approve the merger, the merger agreement and the principal terms thereof, (ii) FOR the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger, the merger agreement and the principal terms thereof and (iii) FOR the approval of the merger-related executive compensation for Novellus named executive officers.

**Q: What will happen if I fail to vote or I abstain from voting?**

A: *Lam Research Stockholders:* If you are a Lam Research stockholder and fail to vote or fail to instruct your broker, bank or other nominee to vote, assuming that a quorum is present at the special meeting, it will have no effect on the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger or the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance. If you are a Lam Research stockholder and you mark your proxy or voting instructions to abstain, it will have the effect of a vote AGAINST the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and AGAINST the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance. If you are a Lam Research stockholder through the Lam Research 401(k) Plan and fail to instruct the trustee how to vote, the trustee generally will not vote the shares of Lam Research common stock allocated to your Lam Research 401(k) Plan account, as described above under the question How are my employee plan shares voted?

*Novellus Shareholders:* If you are a Novellus shareholder and fail to vote, fail to instruct your broker, bank or other nominee to vote, or mark your proxy or voting instructions to abstain, it will have the effect of a

vote AGAINST the proposal to approve the merger, the merger agreement and the principal terms thereof



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for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters' rights (see the section entitled "Dissenters' Rights for Novellus Shareholders" for more information). If you are a Novellus shareholder and fail to vote, fail to instruct your broker, bank or other nominee to vote, or mark your proxy or voting instructions to abstain, it will have no effect on the outcome of the vote on merger-related executive compensation or any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger, the merger agreement and the principal terms thereof, assuming that a quorum is present. If a quorum is not present, abstentions will have the effect of a vote against any adjournment proposal, but failures to vote and broker non-votes will have no effect on any adjournment proposal. If you are a Novellus shareholder through the Novellus Stock Fund under the Novellus Retirement Plan and fail to instruct the trustee how to vote, the trustee generally will vote the shares of Novellus common stock allocated to your Novellus Retirement Plan account in the same proportions as the shares for which the trustee receives timely voting instructions, as described above under the question "How are my employee plan shares voted?"

**Q: What will happen if I return my proxy card without indicating how to vote?**

**A:** *Lam Research Stockholders:* If you properly complete and sign your proxy card but do not indicate how your shares of Lam Research common stock should be voted on a matter, the shares of Lam Research common stock represented by your proxy will be voted as the Lam Research board of directors recommends and, therefore, FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.

*Novellus Shareholders:* If you properly complete and sign your proxy card but do not indicate how your shares of Novellus common stock should be voted on a matter, the shares of Novellus common stock represented by your proxy will be voted as the Novellus board of directors recommends and, therefore, (i) FOR the proposal to approve the merger, the merger agreement and the principal terms thereof, (ii) FOR the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger, the merger agreement and the principal terms thereof and (iii) FOR the approval of the merger-related executive compensation for Novellus named executive officers.

**Q: Can I change my vote or revoke my proxy after I have returned a proxy or voting instruction card?**

**A:** Yes.

*If you are the holder of record of either Lam Research or Novellus stock:* If you are the holder of record of stock, you can change your vote or revoke your proxy at any time before your proxy is voted at your special meeting. You can do this in one of three ways:

you can grant a new, valid proxy bearing a later date (including by telephone or through the Internet);

you can send a signed notice of revocation; or

you can attend your special meeting and vote in person, which will automatically cancel any proxy previously given, or you may revoke your proxy in person. Simply attending the Lam Research special meeting or the Novellus special meeting without voting or affirmatively revoking any proxy previously given will not revoke any proxy that you have previously given or change your vote.

If you choose either of the first two methods, your notice of revocation or your new proxy must be received by Lam Research or Novellus, as applicable, no later than the beginning of the applicable special meeting. If you have submitted a proxy for your shares by telephone or via the Internet, you may revoke your prior telephone or Internet proxy by any manner described above.

*If you hold shares of either Lam Research or Novellus in street name:* If your shares are held in street name, you must contact your broker, bank or other nominee to change your vote.



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*If you hold Lam Research shares in the Lam Research 401(k) Plan:* If you hold unitized interests in shares of Lam Research common stock in the Lam Research 401(k) Plan, you may revoke your instructions to the trustee and change your vote with respect to voting the shares allocated to you in the Lam Research 401(k) Plan by submitting new voting instructions under any one of the three methods described above under the question *How are my employee plan shares voted?* The latest dated instructions actually received by Fidelity Management Trust Company, the trustee for the Lam Research 401(k) Plan, in accordance with the instructions for voting set forth in this joint proxy statement/prospectus, before 11:59 p.m., eastern time, on May 7, 2012 will be the instructions that are followed, and all earlier instructions will be revoked.

*If you hold Novellus shares in the Novellus Retirement Plan:* If you hold shares of Novellus common stock in the Novellus Stock Fund under the Novellus Retirement Plan, you may revoke your instructions to the trustee and change your vote with respect to voting the shares allocated to you in the Novellus Retirement Plan by submitting new voting instructions under any one of the three methods described above under the question *How are my employee plan shares voted?* The latest dated instructions actually received by Vanguard Fiduciary Trust Company, the trustee for the Novellus Retirement Plan, in accordance with the instructions for voting set forth in this joint proxy statement/prospectus, before 5:00 p.m., eastern time, on May 7, 2012 will be the instructions that are followed, and all earlier instructions will be revoked.

### **Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of Novellus common stock?**

A: The merger is intended to be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). Assuming that the merger qualifies as a reorganization, a holder of Novellus common stock generally will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Novellus common stock for shares of Lam Research common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares.

### **Q: When do you expect the merger to be completed?**

A: Lam Research and Novellus hope to complete the merger as soon as reasonably possible and expect the closing of the merger to occur in the second calendar quarter of 2012. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions, and it is possible that factors outside the control of Lam Research and Novellus could result in the merger being completed at an earlier time or at a later time or not at all. There may be a substantial amount of time between the Lam Research and Novellus special meetings and the completion of the merger.

### **Q: Do I need to do anything with my shares of common stock other than voting for the proposals at the special meeting?**

A: *Lam Research Stockholders:* If you are a Lam Research stockholder, after the merger is completed, you are not required to take any action with respect to your shares of Lam Research common stock.

*Novellus Shareholders:* If you are a Novellus shareholder, after the merger is completed, each share of Novellus common stock you hold will be converted automatically into the right to receive 1.125 shares of Lam Research common stock together with cash in lieu of any fractional shares and the amount of any dividends or other distributions with a record date after the date of the merger agreement, as applicable. You will receive instructions at that time regarding exchanging your Novellus shares for shares of Lam Research common stock. You do not need to take any action at this time. Please do not send your Novellus stock certificates with your proxy card.

### **Q: Are stockholders entitled to appraisal or dissenters' rights?**

A: The stockholders of Lam Research are not entitled to appraisal rights in connection with the merger. Holders of Novellus common stock may be entitled to dissenters' rights, provided they comply with certain procedures. See the section entitled *Dissenters' Rights for Novellus*

Shareholders for more information.

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**Q: What happens if I sell my shares of Novellus common stock before the Novellus special meeting?**

A: The record date for the Novellus special meeting is earlier than the date of the Novellus special meeting and the date that the merger is expected to be completed. If you transfer your Novellus shares after the Novellus record date but before the Novellus special meeting, you will retain your right to vote at the Novellus special meeting, but will have transferred the right to receive the merger consideration in the merger. In order to receive the merger consideration, you must hold your shares through the effective date of the merger.

**Q: What if I hold shares in both Lam Research and Novellus?**

A: If you are a stockholder of Lam Research and a shareholder of Novellus, you will receive two separate packages of proxy materials. A vote cast as a Lam Research stockholder will not count as a vote cast as a Novellus shareholder, and a vote cast as a Novellus shareholder will not count as a vote cast as a Lam Research stockholder. Therefore, please separately submit a proxy for each of your Lam Research and Novellus shares.

**Q: What are the conditions to the completion of the merger?**

A: Completion of the merger is subject to certain closing conditions, including but not limited to approval of the issuance of shares of Lam Research common stock to Novellus shareholders by the stockholders of Lam Research, approval of the merger, the merger agreement and the principal terms thereof by the Novellus shareholders, receipt of all required regulatory approvals, and other customary conditions. See the section entitled "The Merger Agreement - Conditions to Completion of the Merger" for more information.

**Q: What is the stock repurchase program?**

A: In connection with the announcement of the merger, Lam Research announced on December 14, 2011 that it intends to return up to \$1.6 billion to Lam Research stockholders via a stock repurchase program, targeted to be completed by the end of the 12 month period following the completion of the merger. The \$1.6 billion stock repurchase program replaced Lam Research's existing stock repurchase program.

**Q: Who can help answer my questions?**

A: Lam Research stockholders or Novellus shareholders who have questions about the merger, the other matters to be voted on at the special meetings, or how to submit a proxy or desire additional copies of this joint proxy statement/prospectus or additional proxy cards should contact:

**If you are a Lam Research stockholder:**

MacKenzie Partners, Inc.  
105 Madison Avenue  
New York, NY 10016

**If you are a Novellus shareholder:**

Georgeson Inc.  
199 Water Street  
New York, NY 10038



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Phone: 800-322-2885

Banks and brokers call: (212) 440-9800

Call toll-free: (877) 278-4775

or

or

**Lam Research Corporation**

**Novellus Systems, Inc.**

4650 Cushing Parkway

4000 North First Street

Fremont, California 94538

San Jose, California 95134

Telephone: 510-572-0200

408-943-9700

Attn: Investor Relations

Attn: Investor Relations

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### **SUMMARY**

*This summary highlights information contained elsewhere in this joint proxy statement/prospectus and may not contain all the information that is important to you with respect to the merger and the other matters being considered at the Lam Research and Novellus special stockholder meetings. Lam Research and Novellus urge you to read the remainder of this joint proxy statement/prospectus carefully, including the attached Annexes, and the other documents incorporated by reference herein. See also the section entitled *Where You Can Find More Information* beginning on page 162. We have included page references in this summary to direct you to more complete descriptions of the topics presented below.*

### **The Companies**

#### **Lam Research Corporation**

Lam Research Corporation, a Delaware corporation ( *Lam Research* ), is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. For more than thirty years, Lam Research has contributed to the advancement of semiconductor manufacturing processes that have led to the proliferation of a variety of electronic products that impact our everyday lives, including cell phones, computers, memory, and networking equipment. Lam Research's customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make DRAM, NAND, and logic devices for these products. Lam Research designs, manufactures, markets, refurbishes, and services semiconductor processing equipment used in the fabrication of integrated circuits.

Lam Research's common stock is traded on the NASDAQ Global Select Market under the symbol *LRCX*.

The principal executive offices of Lam Research are located at 4650 Cushing Parkway, Fremont, CA 94538, and its telephone number is (510) 572-0200.

#### **Novellus Systems, Inc.**

Novellus Systems, Inc., a California corporation ( *Novellus* ), is a leading provider of advanced process equipment for the global semiconductor industry. Certain of Novellus' products are used to deposit extremely thin films of insulating and conductive materials that are used to create the wiring on a chip. Other Novellus products are used to clean the surface of the chip in-between manufacturing steps, or to post-treat deposited films in order to improve mechanical properties. Novellus' products deliver value to customers by providing innovative technology backed by trusted productivity. Novellus maintains engineering facilities in San Jose, California, and engineering and manufacturing facilities in Tualatin, Oregon, and has sales and service operations in 15 countries around the world to support a global customer base.

Novellus' common stock is traded on the NASDAQ Global Select Market under the symbol *NVLS*.

Novellus' principal executive offices are located at 4000 North First Street, San Jose, California, 95134, and its telephone number is (408) 943-9700.

#### **BLMS Inc.**

BLMS Inc. ( *Merger Sub* ), a wholly owned subsidiary of Lam Research, is a California corporation that was formed on December 7, 2011 for the sole purpose of effecting the merger. In the merger, Merger Sub will be merged with and into Novellus, with Novellus surviving as a wholly owned subsidiary of Lam Research.

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**The Merger**

A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus. Lam Research and Novellus encourage you to read the entire merger agreement carefully, because it is the principal document governing the merger. For more information on the merger agreement, see the section entitled "The Merger Agreement" beginning on page 99.

The merger agreement is included in this joint proxy statement/prospectus to provide you with information regarding its terms and is not intended to provide any factual information about Lam Research or Novellus. Such information can be found elsewhere in this joint proxy statement/prospectus and in the other public filings Lam Research and Novellus make with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).

The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

may not be intended as statements of fact, but rather as a way of allocating the risk between the parties in the event the statements therein prove to be inaccurate;

have been qualified by certain confidential disclosure schedules that were exchanged between the parties in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement itself; and

may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. These disclosure schedules contain information that has been included in the general prior public disclosures of each of Lam Research and Novellus, as well as additional non-public information. While we do not believe that this non-public information is required to be publicly disclosed by Lam Research and Novellus under the applicable securities laws, that information does modify, qualify and create exceptions to the representations and warranties set forth in the merger agreement. In addition, these representations and warranties were made as of the date of the merger agreement. Information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in the public disclosures of Lam Research or Novellus. Moreover, representations and warranties are frequently utilized in merger agreements as a means of allocating risks, both known and unknown, rather than to make affirmative factual claims or statements. Accordingly, **YOU SHOULD NOT RELY ON THE REPRESENTATIONS AND WARRANTIES AS CURRENT CHARACTERIZATIONS OF FACTUAL INFORMATION ABOUT LAM RESEARCH OR NOVELLUS**, but instead should read such representations and warranties together with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 162.

**Effects of the Merger (see page 40)**

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Merger Sub, a wholly owned subsidiary of Lam Research formed for the sole purpose of effecting the merger, will be merged with and into Novellus. Novellus will survive the merger as a wholly owned subsidiary of Lam Research.

**Merger Consideration (see page 40)**

Novellus shareholders will have the right to receive 1.125 shares of Lam Research common stock for each share of Novellus common stock they hold at the effective time of the merger (the "exchange ratio"). The exchange

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ratio is fixed and will not be adjusted for changes in the market value of the common stock of Novellus or Lam Research. As a result, the implied value of the consideration to Novellus shareholders will fluctuate between the date of this joint proxy statement/prospectus and the effective date of the merger. Based on the closing price of Lam Research common stock on the NASDAQ on December 13, 2011, the last trading day before public announcement of the merger, the exchange ratio represented approximately \$45.20 in value for each share of Novellus common stock. Based on the closing price of Lam Research common stock on the NASDAQ on March 22, 2012, the latest practicable trading day before the date of this joint proxy statement/prospectus, the exchange ratio represented approximately \$48.88 in value for each share of Novellus common stock.

**Material U.S. Federal Income Tax Consequences of the Merger (see page 117)**

It is a condition to the completion of the merger that each of Jones Day, tax counsel to Lam Research, and Morrison & Foerster LLP, tax counsel to Novellus, deliver an opinion, dated on the closing date of the merger, to the effect that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of Lam Research, Novellus and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. Assuming that the merger is treated as a reorganization, a holder of Novellus common stock will not recognize any gain or loss for U.S. federal income tax purposes upon the exchange of the holder's shares of Novellus common stock for shares of Lam Research common stock pursuant to the merger, except with respect to cash received in lieu of fractional shares of Lam Research common stock.

The tax opinions regarding the merger will not address any state, local or foreign tax consequences of the merger. The opinions will be based on certain assumptions and representations as to factual matters from Lam Research and Novellus, as well as certain covenants and undertakings by Lam Research and Novellus. If any of the assumptions, representations, covenants or undertakings is incorrect, incomplete, inaccurate or is violated in any material respect, the validity of the conclusions reached by counsel in their opinions could be jeopardized and the tax consequences of the merger could differ from those described in this joint proxy statement/prospectus. Neither Lam Research nor Novellus is currently aware of any facts or circumstances that would cause any of the assumptions, representations, covenants and undertakings that it has given to be incorrect, incomplete, inaccurate or violated in any material respect.

An opinion of counsel represents such counsel's best legal judgment but is not binding on the Internal Revenue Service (the IRS) or any court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinion or that a court would not sustain such a challenge.

You should consult your own tax advisor regarding the particular consequences to you of the merger.

**Recommendation of the Board of Directors of Lam Research (see page 55)**

After careful consideration, the Lam Research board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, are advisable and in the best interests of Lam Research and its stockholders. For more information regarding the factors considered by the Lam Research board of directors in reaching its decision to approve the merger agreement and to authorize the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, see the section entitled "The Merger - Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors." **The Lam Research board of directors unanimously recommends that Lam Research stockholders vote (i) FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and (ii) FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.**

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**Recommendation of the Board of Directors of Novellus (see page 51)**

After careful consideration, the Novellus board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby. For more information regarding the factors considered by the Novellus board of directors in reaching its decision to approve the merger, the merger agreement and the principal terms thereof, see the section entitled "The Merger - Novellus - Reasons for the Merger; Recommendation of the Novellus Board of Directors." **The Novellus board of directors unanimously recommends that Novellus shareholders vote (i) FOR the proposal to approve the merger, the merger agreement and the principal terms thereof, (ii) FOR the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies in favor of the approval of the merger, the merger agreement and the principal terms thereof; and (iii) FOR the approval of the merger-related executive compensation for Novellus named executive officers.**

**Opinion of Lam Research's Financial Advisor (see page 67)**

Goldman, Sachs & Co. delivered its opinion to Lam Research's board of directors that, as of December 14, 2011 and based upon and subject to the factors and assumptions set forth therein, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to Lam Research.

The full text of the written opinion of Goldman Sachs, dated December 14, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of Lam Research's board of directors in connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Lam Research's common stock should vote with respect to the transaction or any other matter.

**Opinion of Novellus' Financial Advisor (see page 58)**

In connection with the merger, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofA Merrill Lynch"), Novellus' financial advisor, delivered to Novellus' board of directors a written opinion, dated December 14, 2011, to the effect that, as of the date of the opinion and based upon and subject to various assumptions and limitations described in the opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Novellus stock. The full text of the written opinion, dated December 14, 2011, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to Novellus' board of directors (in its capacity as such) for the benefit and use of Novellus' board of directors in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Novellus or in which Novellus might engage or as to the underlying business decision of Novellus to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed merger or any related matter.**

**Interests of Lam Research Directors and Executive Officers in the Merger (see page 81)**

None of Lam Research's executive officers or the members of its board of directors is party to an agreement with Lam Research, or participates in any Lam Research plan, program or arrangement that provides such executive officer or board member with financial incentives that are contingent upon the consummation of the merger.

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Other than continuing membership on the board of directors of Lam Research or continuing in their positions as executive officers of Lam Research after the effective time of the merger as described in further detail below under the heading Board of Directors and Management Following the Merger, the members of the Lam Research board of directors and the executive officers of Lam Research do not have any interests in the merger that are different from, or in addition to, the interests of Lam Research stockholders generally.

### **Interests of Novellus Directors and Executive Officers in the Merger (see page 81)**

Novellus directors and executive officers have economic interests in the merger that may be different from, or in addition to, those of Novellus shareholders generally.

In connection with the consummation of the merger, each outstanding share of Novellus restricted stock granted to a non-employee director of Novellus will vest and be converted into Lam Research shares in the same manner as all other Novellus shares held by Novellus shareholders, as described in The Merger Terms of the Merger; Merger Consideration beginning on page 99.

Additionally, as described in further detail below in the section titled The Merger Interests of Novellus Directors and Executive Officers in the Merger beginning on page 81, Novellus executive officers will be entitled to certain vesting acceleration of their Novellus restricted stock units (each, an RSU ) and Novellus performance-based RSUs (each, a PSU ) and certain of their Novellus stock options either in connection with the consummation of the merger or certain eligible terminations of employment. With respect to the Novellus PSUs, each Novellus PSU that vests in connection with the consummation of the merger will become fully vested with respect to the maximum number of Novellus shares payable pursuant to such Novellus PSU.

Per the Amended and Restated Employment Agreement with Richard S. Hill, Novellus Chairman and Chief Executive Officer, as described in further detail in the section titled The Merger Interests of Novellus Directors and Executive Officers in the Merger beginning on page 81, following the merger Mr. Hill will be entitled to severance benefits in connection with the termination of his employment in certain circumstances, including a cash payment, continued benefits and accelerated vesting of any unvested stock options, restricted stock, restricted stock units and similar awards.

As of the date of this joint proxy statement/prospectus, Mr. Hill has entered into a consulting agreement (the Consulting Agreement ) with Lam Research. Pursuant to the anticipated terms of the Consulting Agreement, which is contingent upon and commences as of the closing of the merger, Mr. Hill will be entitled to certain compensation and benefits following the closing of the merger in exchange for serving as a consultant to the Lam Research board of directors and executive team.

As of the date of this joint proxy statement/prospectus, Mr. Timothy Archer, Novellus Chief Operating Officer, has entered into a new employment agreement with Lam Research (the Archer Agreement ), for a period of three years, that is contingent upon and commencing as of the closing of the merger, and pursuant to which Mr. Archer would serve as Executive Vice President, Chief Operating Officer of the combined company following the closing of the merger. The material terms of the Archer Agreement include an annual base salary, a target annual bonus opportunity, a long-term incentive bonus opportunity, an integration bonus and certain severance and change of control provisions.

In addition, pursuant to the terms of the merger agreement, as of the date of this joint proxy statement/prospectus, Lam Research and Novellus have mutually agreed that Youssef A. El-Mansy, Krishna Saraswat, William R. Spivey, and Delbert A. Whitaker, each of whom is currently a director of Novellus, shall be designated to join Lam Research's board of directors immediately following the effective time of the merger.

The Novellus board of directors was aware of these interests and considered them, among other matters, in approving the merger, the merger agreement and the principal terms thereof and in recommending that you vote for the approval of the merger, the merger agreement and the principal terms thereof.

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### **Board of Directors and Management Following the Merger (see page 91)**

Immediately following the effective time of the merger, the board of directors of Lam Research will consist of the directors of Lam Research immediately prior to the closing of the merger and four additional directors to be mutually designated by Lam Research and Novellus. As of the date of this joint proxy statement/prospectus, Lam Research and Novellus have mutually agreed that Youssef A. El-Mansy, Krishna Saraswat, William R. Spivey, and Delbert A. Whitaker, each of whom is currently a director of Novellus, will be the designated directors. Upon appointment, each director will receive prorated annual compensation for their service as a director consistent with Lam Research's policies for compensation of non-employee directors. Lam Research has agreed to indemnify the designated directors on the same terms as the other non-employee directors of Lam Research.

Upon completion of the merger, the executive officers of Lam Research prior to the merger will continue to serve in their roles. Mr. Archer is expected to be appointed as Lam Research's Chief Operating Officer.

### **Treatment of Lam Research Stock Options and Equity Awards (see page 92)**

The completion of the merger will not accelerate the vesting or settlement of any outstanding stock options or other equity awards granted under any of Lam Research's equity incentive plans, and all such stock options and other equity awards will continue to vest in accordance with their applicable terms.

### **Treatment of Novellus Stock Options and Other Long-Term Incentive Awards (see page 92)**

*Novellus Stock Options.* At the effective time of the merger, each Novellus stock option granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into an option to purchase shares of Lam Research common stock (each, an assumed stock option). Each assumed stock option will be subject to, and exercisable and vested on, the same terms and conditions applicable to such assumed stock option (including under the terms of the applicable Novellus stock plan, the applicable stock option agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each such assumed stock option will constitute an assumed stock option (i) to acquire that number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (x) the number of shares of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125; and (ii) with an exercise price per share of Lam Research common stock (rounded up to the nearest whole penny) equal to the quotient obtained by dividing (x) the exercise price per share of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125.

At the effective time of the merger, each Novellus stock option granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus stock option or any other person, terminate without payment of any consideration therefor.

*Novellus RSUs and Novellus PSUs.* At the effective time of the merger, each Novellus RSU granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into the right to receive shares of Lam Research common stock (each, an assumed RSU). Each assumed RSU will be subject to, and vested on, the same terms and conditions applicable to such assumed RSU (including under the terms of the applicable Novellus stock plan, the applicable restricted stock unit agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each assumed RSU will constitute an assumed RSU to acquire the number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (i) the number of shares of Novellus common stock subject to such assumed RSU immediately prior to the effective time of the merger by (ii) 1.125.

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Per the terms and conditions applicable to Novellus RSUs and Novellus performance-based stock units ( Novellus PSUs ) granted under Novellus 2001 Stock Incentive Plan and the applicable award agreements, such Novellus RSUs and Novellus PSUs that are outstanding and unvested immediately prior to the effective time of the merger will vest in full immediately prior to but contingent upon the merger. Novellus PSUs that vest in connection with the consummation of the merger will become fully vested with respect to the maximum number of shares of Novellus common stock payable pursuant to such Novellus PSU. With respect to assumed RSUs granted under Novellus 2011 Stock Incentive Plan and held by current employees of Novellus as of the effective time of the merger, such awards will be assumed by Lam Research as described above and, per the terms and conditions applicable to such assumed RSUs under Novellus 2011 Stock Incentive Plan and the applicable award agreements, the holders, including Novellus executive officers, will be entitled to certain vesting acceleration in connection with certain terminations of employment, including a termination of the holder s employment without cause or a resignation for good reason on the date of or within twelve (12) months after the closing of the merger (as such terms are defined in the applicable award agreements).

At the effective time of the merger, each Novellus RSU and each Novellus PSU granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus RSU or Novellus PSU or any other person, terminate without payment of any consideration therefor.

*Novellus Restricted Stock.* In connection with the consummation of the merger, each Novellus restricted stock award granted to a Novellus director and that is then outstanding will become vested and will be treated in the same manner as all other Novellus shares held by Novellus shareholders. Outstanding shares of restricted stock held by two of Novellus employees, including Mr. Hill, will be converted into shares of Lam Research common stock in the same manner as all other shares of Novellus common stock held by Novellus shareholders, except that the shares will continue to be subject to, and vest on, the same terms and conditions applicable thereto (including under the terms of the applicable Novellus stock plan, the applicable award agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger. For additional information see The Merger Interests of Novellus Directors and Executive Officers in the Merger beginning on page 81. Shares of restricted stock held by Mr. Hill will accelerate vesting in accordance with the terms of his Amended and Restated Employment Agreement (the Amended Agreement ) if Novellus (or a successor, including Lam Research or Merger Sub) terminates Mr. Hill s employment without cause or Mr. Hill resigns for good reason (as such terms are defined in the Amended Agreement).

**Regulatory Clearances Required for the Merger (see page 91)**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ), Lam Research and Novellus must file notifications with the Federal Trade Commission and the Antitrust Division and observe a mandatory pre-merger waiting period before completing the merger. On January 13, 2012, Novellus filed its notification under the HSR Act. On January 26, 2012, Lam Research filed its notification under the HSR Act. In addition, Lam Research and Novellus have submitted notifications with competition authorities in Germany, Korea, Taiwan and China. On February 3, 2012, Lam Research and Novellus were granted early termination of the waiting period under the HSR Act. On February 6, 2012, the Korean antitrust authority informed Lam Research and Novellus that it had approved the merger. On February 14, 2012, the German antitrust authority granted clearance for the merger. On March 5, 2012, the Taiwanese antitrust authority granted clearance for the merger.

While Lam Research and Novellus expect to obtain all required regulatory clearances, Lam Research and Novellus cannot assure you that the Federal Trade Commission, Antitrust Division or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the merger before or after it is completed. Any such challenge to the merger could result in a court order enjoining the merger or in



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restrictions or conditions that would have a material adverse effect on the combined company if the merger is completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses, although the absence of any such restriction or condition is a condition to the completion of the merger.

### **Expected Timing of the Merger**

Lam Research and Novellus currently expect the closing of the merger to occur in the second quarter of 2012. However, the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions as described in the merger agreement, and it is possible that factors outside the control of Lam Research and Novellus could result in the merger being completed at an earlier time, a later time or not at all.

### **Conditions to Completion of the Merger (see page 110)**

The obligations of Lam Research and Novellus to complete the merger are subject to the satisfaction of the following conditions:

approval of the merger, the merger agreement and the principal terms thereof by holders of a majority of the outstanding shares of Novellus common stock entitled to vote thereon;

approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger by holders of a majority of the shares of Lam Research common stock present in person or represented by proxy and entitled to vote thereon;

authorization for the listing on the NASDAQ of the shares of Lam Research common stock to be issued to Novellus shareholders pursuant to the merger, subject to official notice of issuance;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC for that purpose;

absence of any law or any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction preventing the consummation of the merger;

absence of any law enacted and enforced by any governmental authority prohibiting or limiting the ownership or operation by Lam Research or Novellus of any material portion of their businesses or assets, or compelling Lam Research or Novellus to dispose of or hold separate any material portion of their businesses or assets as a result of the merger or the transactions contemplated by the merger agreement or which otherwise is reasonably likely to have or result in, individually or in the aggregate, a material adverse effect on Lam Research or Novellus, as applicable;

the waiting period (and any extension thereof) applicable to the merger under the antitrust laws of the United States having expired or been earlier terminated; and

any required waiting periods, clearances, consents or approvals under certain foreign antitrust laws having expired, been obtained or been terminated, as the case may be.

In addition, each of Lam Research and Novellus obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

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the representations and warranties of the other party, other than the representations related to capitalization, authority with respect to the execution and delivery of the merger agreement, the vote required to approve the transactions contemplated by the merger agreement and brokers' fees payable in connection with the merger will be true and correct (without giving effect to any materiality or material adverse effect qualifications contained in such representations and warranties) at and as of the effective time of the merger as though made on or as of such time (except for those representations and

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warranties that address matters only as of a particular date or only with respect to a specified period of time, that need only be true and correct as of such particular date or with respect to such specified period), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the other party;

the representations and warranties of the other party relating to capitalization (other than the shares of capital stock issued and outstanding), authority with respect to the execution and delivery of the merger agreement, the vote required to approve the transactions contemplated by the merger agreement and brokers' fees payable in connection with the merger will be true and correct (without giving effect to any materiality or material adverse effect qualifications contained in such representations and warranties) in all material respects at and as of the effective time of the merger as though made on or as of such date (except for those representations and warranties that address matters only as of a particular date or only with respect to a specified period of time, that need only be true and correct in all material respects as of such particular date or with respect to such specified period);

the representations and warranties of the other party relating to the shares of capital stock will be true and correct and, to the extent that the representation relates to the number of shares of common stock that are outstanding on a fully diluted basis as of December 13, 2011, will be true and correct other than an excess number of fully-diluted shares as of such date that does not exceed 500,000;

the other party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the consummation of the merger;

the absence since the date of the merger agreement of any event or condition that would have a material adverse effect on the other party;

receipt of a certificate executed by the other party's chief executive officer and chief financial officer as to the satisfaction of the conditions described in the preceding five bullets; and

receipt of a tax opinion from such party's tax counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of Lam Research, Novellus and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code.

Lam Research's obligation to effect the merger is further subject to the satisfaction or waiver of the following additional conditions:

if the Novellus shareholders are entitled to exercise dissenters' rights under the California Corporations Code ( CCC ), the number of shares of Novellus common stock for which the holders thereof have made written demand for dissenters' rights under the CCC does not exceed 10% of the outstanding shares of Novellus common stock; and

the product of

(i) \$35.31 (which was the closing price of Novellus common stock on the NASDAQ on December 13, 2011, the day immediately prior to the public announcement of the merger) minus (ii) the arithmetic average of the last reported per share sales prices of Lam Research common stock on NASDAQ, as reported in the New York City edition of The Wall Street Journal for each of the five full consecutive trading days ending on the trading day immediately prior to the date on which the merger is effective multiplied by the exchange ratio,

multiplied by,

(ii) the number of shares of Novellus common stock for which the holder thereof has made written demand for dissenters' rights under the CCC,

does not exceed \$25 million.

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### **No Solicitation of Alternative Proposals (see page 104)**

The merger agreement prohibits Lam Research and Novellus from soliciting or engaging in discussions or negotiations with a third party with respect to a proposal for a competing transaction, including the acquisition of a significant interest in Lam Research's or Novellus' common stock or assets. Notwithstanding those restrictions, prior to obtaining the relevant stockholder or shareholder approval, the board of directors of each of Lam Research and Novellus is permitted to furnish information with respect to Lam Research or Novellus, as applicable, and enter into discussions with, and only with, a person who has made an unsolicited bona fide written acquisition proposal if the board of directors of such party (i) determines in good faith (after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation) that such acquisition proposal is or is reasonably likely to lead to a superior proposal, and (ii) obtains from such person an executed confidentiality agreement.

### **Termination of the Merger Agreement (see page 111)**

Lam Research and Novellus may mutually agree to terminate the merger agreement at any time. Either company may also terminate the merger agreement if the merger is not consummated by June 30, 2012, subject to extension by mutual agreement of the parties or in the event that certain regulatory clearances have not yet been obtained, provided that in no event shall any such extension be to a date that is later than September 30, 2012. See the section entitled "The Merger Agreement Termination of the Merger Agreement" for a discussion of these and other rights of each of Lam Research and Novellus to terminate the merger agreement.

### **Termination Fees and Expenses (see page 113)**

Generally, all fees and expense incurred in connection with the merger agreement and the transactions contemplated in the merger agreement will be paid by the party incurring those expenses, subject to the specific exceptions discussed in this joint proxy statement/prospectus where Lam Research or Novellus, as the case may be, may be required to pay a termination fee of \$80 million or \$120 million, depending on the termination event, and including in certain circumstances the reimbursement of certain out of pocket expenses. See the section entitled "The Merger Agreement Termination Fees and Expenses" for a discussion of the circumstances under which such termination fees will be required to be paid.

### **Accounting Treatment (see page 120)**

Lam Research prepares its financial statements under existing U.S. generally accepted accounting principles, or GAAP standards, which are subject to change and interpretation. The merger will be accounted for using the acquisition method of accounting with Lam Research being considered the acquiror of Novellus for accounting purposes.

### **Appraisal Rights (see page 154)**

The stockholders of Lam Research are not entitled to appraisal rights in connection with the merger under Delaware law. Under Chapter 13 of the CCC, holders of Novellus common stock may be entitled to dissenters' rights, provided they comply with the procedures set forth therein. See "Dissenters' Rights for Novellus Shareholders" on page 154 for more information.

### **Comparison of Stockholder Rights and Corporate Governance Matters (see page 144)**

Novellus shareholders receiving merger consideration will have different rights once they become stockholders of Lam Research due to differences between Delaware law and California law, and between the governing corporate documents of Novellus and the governing corporate documents of Lam Research. These

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differences are described in detail under the section entitled Comparison of Rights of Lam Research Stockholders and Novellus Shareholders.

### **Listing of Shares of Lam Research Common Stock; Delisting and Deregistration of Shares of Novellus Common Stock (see page 93)**

It is a condition to the completion of the merger that the shares of Lam Research common stock to be issued to Novellus shareholders pursuant to the merger be authorized for listing on the NASDAQ at the effective time of the merger. Upon completion of the merger, shares of Novellus common stock currently listed on the NASDAQ will cease to be listed on the NASDAQ and will be subsequently deregistered under the Exchange Act.

## **The Meetings**

### **The Lam Research Special Meeting (see page 29)**

The special meeting of Lam Research stockholders will be held at the principal executive offices of Lam Research, which are located at 4650 Cushing Parkway, Fremont, California 94538, on May 10, 2012, at 8:00 a.m., local time. The special meeting of Lam Research stockholders is being held to consider and vote on:

the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger; and

the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal.

Completion of the merger is conditioned on approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger.

Only holders of record of Lam Research common stock at the close of business on March 12, 2012, the record date for the Lam Research special meeting, are entitled to receive notice of, and to vote at, the Lam Research special meeting or any adjournments or postponements thereof. At the close of business on the record date, 119,768,891 shares of Lam Research common stock were issued and outstanding, approximately 0.8% of which were owned and entitled to be voted by Lam Research directors and executive officers and their affiliates. We currently expect that Lam Research's directors and executive officers will vote their shares in favor of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, although none of them has entered into any agreement obligating them to do so.

You may cast one vote for each share of Lam Research common stock you own. The proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger requires the affirmative vote of holders of a majority of the shares of Lam Research common stock present in person or represented by proxy and entitled to vote on the proposal. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the proposal for the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, the holders of a majority of the shares entitled to vote and present in person or by proxy, whether or not a quorum is present, may adjourn the meeting to another time or place without further notice unless the adjournment is for more than 30 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

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**The Novellus Special Meeting (see page 34)**

The special meeting of Novellus shareholders is scheduled to be held at Novellus principal executive offices located at 4000 North First Street, San Jose, California, 95134, on May 10, 2012 at 2:00 p.m., local time for the following purposes:

to consider and vote on the proposal to approve the merger, the merger agreement and the principal terms thereof;

to vote upon the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal regarding the merger; and

to hold an advisory vote on the merger-related executive compensation.

Only holders of record of Novellus common stock at the close of business on March 14, 2012, the record date for the Novellus special meeting, are entitled to notice of, and to vote at, the Novellus special meeting or any adjournments or postponements thereof. On the record date, approximately 0.59% of the outstanding shares of Novellus common stock entitled to vote was held by Novellus directors, executive officers and their respective affiliates. Novellus currently expects that its directors and executive officers will vote their shares in favor of the merger, the merger agreement and the principal terms thereof, and Mr. Richard S. Hill, Novellus Chairman of the Board and Chief Executive Officer, has entered into a voting agreement obligating him to do so, subject to certain exceptions. Additionally, Novellus currently expects that its directors and executive officers will vote their shares for the approval of the merger-related executive compensation and, if necessary, for the adjournment proposal.

You may cast one vote for each share of Novellus common stock you own. Approval of the merger, the merger agreement and the principal terms thereof requires the affirmative vote of holders of a majority of the outstanding shares of Novellus common stock entitled to vote on the proposal. Approval of the merger-related executive compensation and approval of any adjournment proposal requires the affirmative vote of a majority of the shares of Novellus common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum), assuming that a quorum is present. If a quorum is not present, an adjournment proposal requires the affirmative vote of the holders of a majority of the shares entitled to vote and present in person or represented by proxy at the Novellus special meeting. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the proposal to approve the merger, the merger agreement and the principal terms thereof, the special meeting may be adjourned to another time or place without further notice unless the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

**Summary Historical Consolidated Financial Data**

**Summary Consolidated Historical Financial Data of Lam Research**

The following statement of operations data for the fiscal years ended June 26, 2011, June 27, 2010, and June 28, 2009 and the balance sheet data as of June 26, 2011 and June 27, 2010 have been derived from the audited consolidated financial statements of Lam Research contained in its Annual Report on Form 10-K for the fiscal year ended June 26, 2011, which statements are incorporated into this document by reference. The statement of operations data for the fiscal years ended June 29, 2008 and June 24, 2007 and the balance sheet data as of June 28, 2009, June 29, 2008 and June 24, 2007 have been derived from Lam Research's audited consolidated financial statements for such periods, which statements have not been incorporated into this document by reference.

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The statement of operations data for the six months ended December 25, 2011 and December 26, 2010, and the balance sheet data as of December 25, 2011 have been derived from Lam Research's unaudited interim consolidated financial statements contained in its Quarterly Report on Form 10-Q for the quarterly period ended December 25, 2011, which statements are incorporated into this document by reference. The balance sheet data as of December 26, 2010 has been derived from Lam Research's unaudited consolidated financial statements for such period, which statements have not been incorporated into this document by reference. These financial statements are unaudited, but, in the opinion of Lam Research's management, contain all adjustments necessary to present fairly Lam Research's financial position, results of operations and cash flows for the periods indicated.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes and the management's discussion and analysis of financial condition and results of operations of Lam Research sections contained in such reports, which sections are incorporated herein by reference.

**Statement of Operations Data of Lam Research:**

	Six Months Ended		Year Ended				
	December 25, 2011 <sup>(1)</sup>	December 26, 2010 <sup>(1)</sup>	June 26, 2011 <sup>(1)</sup>	June 27, 2010 <sup>(1)</sup>	June 28, 2009 <sup>(1)</sup>	June 29, 2008 <sup>(1)</sup>	June 24, 2007
	(in thousands, except per share data)						
Revenue	\$ 1,264,417	\$ 1,676,588	\$ 3,237,693	\$ 2,133,776	\$ 1,115,946	\$ 2,474,911	\$ 2,566,576
Gross margin	518,709	784,759	1,497,232	969,935	388,734	1,173,406	1,305,054
Goodwill impairment <sup>(2)</sup>					96,255		
Restructuring and impairments <sup>(3)</sup>	1,725	(5,163)	11,579	21,314	44,513	6,366	
409A expense <sup>(4)</sup>				(38,590)	3,232	44,494	
Legal judgment					4,647		
In-process research and development						2,074	
Operating income (loss)	146,945	465,098	804,285	425,410	(281,243)	509,431	778,660
Net income (loss)	105,050	415,580	723,748	346,669	(302,148)	439,349	685,816
Net income (loss) per share:							
Basic	\$ 0.87	3.37	5.86	2.73	(2.41)	3.52	4.94
Diluted	\$ 0.86	3.32	5.79	2.71	(2.41)	3.47	4.85

**Balance Sheet Data of Lam Research:**

	December 25, 2011 <sup>(1)</sup>	December 26, 2010 <sup>(1)</sup>	June 26, 2011 <sup>(1)(5)</sup>	June 27, 2010 <sup>(1)</sup>	June 28, 2009 <sup>(1)</sup>	June 29, 2008 <sup>(1)</sup>	June 24, 2007
		(in thousands)					
Working capital	\$ 2,619,246	\$ 1,489,874	\$ 2,592,506	\$ 1,198,004	\$ 855,064	\$ 1,280,028	\$ 743,563
Total assets	3,978,147	2,933,217	4,053,867	2,487,392	1,993,184	2,806,755	2,101,605
Long-term obligations, less current portion	921,798	158,567	903,263	160,600	158,019	385,132	252,487

- (1) The six months ended December 25, 2011 and December 26, 2010 and fiscal year 2011, 2010, 2009 and 2008 amounts include the operating results of SEZ from the acquisition date of March 11, 2008. The acquisition was accounted for as a business combination in accordance with the applicable accounting guidance.
- (2) During fiscal year 2009, a combination of factors, including the economic environment, a sustained decline in Lam Research's market valuation and a decline in Lam Research's operating results indicated possible impairment of Lam Research's goodwill. Lam Research conducted an analysis and concluded that the fair





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- value of its Clean Product Group had been reduced below its carrying value. As a result, Lam Research recorded a non-cash goodwill impairment charge of approximately \$96.3 million during fiscal year 2009.
- (3) Restructuring and impairments exclude restructuring charges (recoveries) included in cost of goods sold and reflected in gross margin of \$(0.9) million during the six months ended December 25, 2011 and \$3.4 million, \$21.0 million, and \$12.6 million for fiscal years 2010, 2009, and 2008, respectively. Restructuring and impairment amounts included in cost of goods sold and reflected in gross margin during the six months ended December 25, 2011 relate to a recorded obligation not realized for a previously restructured product line. Restructuring and impairment amounts included in cost of goods sold and reflected in gross margin during fiscal year 2010 primarily related to asset impairments for production efficiencies and shifts in product demands, partially offset by the recovery of expenses related to previously impaired inventory. Restructuring amounts included in cost of goods sold and reflected in gross margin during fiscal year 2009 primarily relate to Lam Research's alignment of its cost structure with the outlook for the economic environment and future business opportunities. The restructuring amounts in fiscal year 2008 primarily relate to the integration of SEZ.
- (4) 409A expense excludes a credit included in cost of goods sold and reflected in gross margin of \$5.8 million in fiscal year 2010 related to a reversal of accrued liabilities due to final settlement of matters associated with Lam Research's Internal Revenue Code Section 409A ( 409A ) expenses from the 2007 voluntary independent stock option review. 409A expense excludes an expense included in cost of goods sold and reflected in gross margin of \$6.4 million during fiscal year 2008. Following a voluntary independent review of its historical stock option granting process, Lam Research 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, Lam Research's Board of Directors authorized Lam Research (i) to assume potential Section 409A Liabilities, inclusive of applicable penalties and interest, of current and past employees arising from the exercise in 2006 or 2007 of Lam Research stock options that vested after 2004, and (ii) if necessary, to compensate such employees for additional tax liability associated with that assumption.
- (5) Certain amounts presented in the comparative financial statements for prior years have been reclassified to conform to the fiscal year 2012 presentation.

**Lam Research Recent Developments**

*Martin B. Anstice Appointed Chief Executive Officer and Director*

As previously disclosed by Lam Research in its Current Report on Form 8-K filed by Lam Research with the Securities and Exchange Commission on September 8, 2011, which is incorporated herein by reference, Martin B. Anstice was appointed Chief Executive Officer of Lam Research, effective January 1, 2012.

As previously disclosed by Lam Research in its Current Report on Form 8-K filed by Lam Research with the Securities and Exchange Commission on February 9, 2012, on February 6, 2012, Mr. Anstice was appointed by the Lam Research board of directors as a director of Lam Research.

**Summary Consolidated Historical Financial Data of Novellus**

The following statement of operations data for the fiscal years ended December 31, 2011, December 31, 2010, and December 31, 2009 and the balance sheet data as of December 31, 2011 and December 31, 2010 have been derived from the audited consolidated financial statements of Novellus contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011, which statements are incorporated into this document by

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reference. The statement of operations data for the fiscal years ended December 31, 2008 and December 31, 2007 and the balance sheet data as of December 31, 2009, December 31, 2008, and December 31, 2007 have been derived from Novellus' audited consolidated financial statements for such periods, which statements have not been incorporated into this document by reference.

You should read this selected historical financial data together with the financial statements that are incorporated by reference into this document and their accompanying notes and the management's discussion and analysis of financial condition and results of operations of Novellus sections contained in such reports, which sections are incorporated herein by reference.

	2011	Years Ended December 31,			2007
		2010	2009	2008	
<b>Consolidated Statement of Operations Data of Novellus:</b>					
Net Sales	\$ 1,352,850	\$ 1,349,158	\$ 639,194	\$ 1,011,004	\$ 1,570,049
Gross Profit	\$ 664,725	\$ 665,334	\$ 241,090	\$ 435,944	\$ 769,189
Net income (loss)	\$ 250,679	\$ 262,332	\$ (85,235)	\$ (115,710) <sup>(1)</sup>	\$ 213,700
Per common share:					
Basic	\$ 3.29	\$ 2.83	\$ (0.88)	\$ (1.18)	\$ 1.78
Diluted	\$ 3.20	\$ 2.79	\$ (0.88)	\$ (1.18)	\$ 1.75
Shares used in basic per share calculation	76,161	92,690	96,487	98,083	119,782
Shares used in diluted per share calculation	78,279	94,084	96,487	98,083	121,915

	2011	2010	December 31,		2007
			2009	2008	
<b>Consolidated Balance Sheet Data of Novellus:</b>					
Cash, cash equivalents and short-term investments	\$ 918,738	\$ 671,251	\$ 501,370	\$ 470,888	\$ 596,766
Total assets	\$ 1,936,635	\$ 1,832,397	\$ 1,558,978	\$ 1,637,527	\$ 2,076,943
Senior convertible notes	\$ 272,172	\$	\$	\$	\$
Long-term debt	\$ 103,189	\$ 105,592	\$ 114,147		\$ 143,267
Shareholders' equity	\$ 1,100,530	\$ 1,328,138	\$ 1,179,777	\$ 1,246,782	\$ 1,529,087

(1) The fiscal year 2008 results included a non-cash goodwill impairment charge of \$99.5 million.

**Table of Contents****Summary Unaudited Pro Forma Condensed Combined Financial Information of Lam Research and Novellus**

The following table presents selected unaudited pro forma combined financial information about Lam Research's consolidated balance sheet and statements of operations, after giving effect to the merger with Novellus. The information under "Statement of Operations Data" in the table below assumes the merger had been consummated on June 28, 2010, the beginning of the earliest period presented. The information under "Balance Sheet Data" in the table below assumes the merger had been consummated on December 25, 2011. This unaudited pro forma combined financial information was prepared using the acquisition method of accounting with Lam Research considered the acquirer of Novellus. See "Accounting Treatment" on page 120.

The unaudited pro forma combined financial information includes adjustments which are preliminary and may be revised. There can be no assurance that such revisions will not result in material changes. The information presented below should be read in conjunction with the historical consolidated financial statements of Lam Research and Novellus, including the related notes, filed by each of them with the SEC, and with the pro forma condensed combined financial statements of Lam Research and Novellus, including the related notes, appearing elsewhere in this document. See "Where You Can Find More Information" beginning on page 162 and "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 121. The unaudited pro forma condensed combined financial data are not necessarily indicative of results that actually would have occurred or that may occur in the future had the merger been completed on the dates indicated.

**Statement of Operations Data**

(in thousands, except per share data)	Six Months Ended December 25, 2011	Fiscal Year Ended June 26, 2011
Revenue	\$ 1,938,346	\$ 4,743,797
Gross margin	798,258	2,148,790
Operating income	228,273	996,321
Net income	172,978	888,875
Net income per share:		
Basic	\$ 0.86	\$ 4.36
Diluted	\$ 0.84	\$ 4.21

**Balance Sheet Data**

(in thousands)	December 25, 2011
Working capital	\$ 3,855,864
Total assets	\$ 9,082,318
Long-term obligations, less current portion	\$ 1,871,846

**Table of Contents****Unaudited Comparative Per Share Data**

Presented below are Lam Research's historical per share data for the six months ended December 25, 2011 and the year ended June 26, 2011, Novellus' historical per share data for the years ended December 31, 2011 and December 31, 2010, unaudited pro forma combined per share data for the six months ended December 25, 2011 and the year ended June 26, 2011, and unaudited pro forma equivalent data for the six months ended December 25, 2011 and the year ended June 26, 2011. This information should be read together with the consolidated financial statements and related notes of Lam Research and Novellus that are incorporated by reference in this document and with the unaudited pro forma combined financial data included under "Unaudited Pro Forma Condensed Combined Financial Information" beginning on page 121. The pro forma information is presented for illustrative purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the merger had been completed as of the beginning of the periods presented or on the dates presented, nor is it necessarily indicative of the future operating results or financial position of the combined company. The historical book value per share is computed by dividing total stockholders' equity by the number of shares of common stock outstanding at the end of the period. The pro forma net income per share of the combined company is computed by dividing the pro forma net income by the pro forma weighted average number of shares outstanding. The pro forma book value per share of the combined company is computed by dividing total pro forma stockholders' equity by the pro forma number of shares of common stock outstanding at the end of the period.

	<b>Six Months Ended December 25, 2011</b>	<b>Fiscal Year Ended June 26, 2011</b>
<b>LAM HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 0.86	\$ 5.79
Book value per share	\$ 20.60	\$ 19.99
	<b>Fiscal Year Ended December 31, 2011</b>	<b>Fiscal Year Ended December 31, 2010</b>
<b>NOVELLUS HISTORICAL DATA</b>		
Historical diluted per common share		
Net income per share	\$ 3.20	\$ 2.79
Book value per share	\$ 15.80	\$ 14.60
	<b>Six Months Ended December 25, 2011</b>	<b>Fiscal Year Ended June 26, 2011</b>
<b>LAM PRO FORMA COMBINED DATA</b>		
Unaudited diluted pro forma per common share		
Net income per share	\$ 0.84	\$ 4.21
Book value per share <sup>(1)</sup>	\$ 31.76	n/m
	<b>Six Months Ended December 25, 2011</b>	<b>Fiscal Year Ended June 26, 2011</b>
<b>NOVELLUS PRO FORMA EQUIVALENT<sup>(2)</sup></b>		
Unaudited diluted pro forma per common share		
Net income per share	\$ 0.95	\$ 4.74
Book value per share <sup>(1)</sup>	\$ 35.73	n/m

(1) Pro forma book value per share as of June 26, 2011 is not meaningful as purchase accounting adjustments were calculated as of December 25, 2011.

(2) Novellus pro forma equivalent per share financial information calculated by multiplying the unaudited Lam Research pro forma combined per share amounts by the exchange ratio of 1.125.



**Table of Contents****Unaudited Comparative Market Value and Dividend Information**

The following table presents trading information for Lam Research and Novellus common stock on the NASDAQ on December 13, 2011, the last trading day before announcement of the merger and March 22, 2012, the most recent practicable trading day before the date of this joint proxy statement/prospectus. For illustrative purposes, the following table also provides Novellus equivalent per share information, which amounts are calculated by multiplying such high, low and closing sales prices for shares of Lam Research common stock by 1.125, representing the approximate value that Novellus shareholders will be entitled to receive in exchange for each share of Novellus common stock they hold at the effective time of the merger.

Date	Lam Research Common Stock			Novellus Common Stock			Equivalent Per-Share Value		
	High	Low	Close	High	Low	Close	High	Low	Close
December 13, 2011	\$ 42.56	\$ 40.07	\$ 40.18	\$ 36.51	\$ 35.10	\$ 35.31	\$ 47.88	\$ 45.08	\$ 45.20
March 22, 2012	\$ 43.80	\$ 43.18	\$ 43.45	\$ 48.89	\$ 48.19	\$ 48.52	\$ 49.28	\$ 48.58	\$ 48.88

The market prices of shares of Lam Research and Novellus common stock fluctuate, and the value of the merger consideration will fluctuate with the market price of the Lam Research common stock. As a result, we urge you to obtain current market quotations of Lam Research and Novellus common stock.

Neither Lam Research nor Novellus have historically paid cash dividends on their capital stock. It is the present policy of both of Lam Research and Novellus to retain earnings to finance the growth and development of their respective businesses and other corporate purposes, and, therefore, neither Lam Research nor Novellus anticipates paying any cash dividends in the foreseeable future.

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**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 that are not limited to historical facts, but reflect Lam Research's and Novellus' current beliefs, expectations or intentions regarding future events. Words such as may, will, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pursue, expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, Lam Research's and Novellus' expectations with respect to the synergies, costs and other anticipated financial impacts of the proposed transaction; future financial and operating results of the combined company; financial projections of Novellus and Lam Research; the combined company's plans, objectives, expectations and intentions with respect to future operations and services; approval of the proposed transaction by stockholders or shareholders and by governmental regulatory authorities; the satisfaction of the closing conditions to the proposed transaction; the timing of the completion of the proposed transaction; and the assumptions underlying the foregoing. Without limiting the generality of the preceding sentence, certain statements contained in the sections The Merger Background of the Merger, The Merger Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors, The Merger Novellus' Reasons for the Merger; Recommendation of the Novellus Board of Directors, The Merger Certain Projections of Novellus and Lam Research contain forward-looking statements.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, many of which are generally outside the control of Lam Research and Novellus and are difficult to predict. These risks and uncertainties also include those set forth in the section entitled Risk Factors and the similarly titled sections in the SEC filings of Lam Research and Novellus that are incorporated herein by reference, as well as, among others, risks and uncertainties relating to Lam Research's and Novellus' expectations with respect to the benefits, costs and other anticipated financial impacts of the merger; risks relating to future financial and operating results of the combined company following the merger; risks relating to the combined company's plans, objectives, expectations and intentions with respect to future operations and services following the merger; risks relating to the combined company's ability to attract and retain key personnel following the merger; risks relating to the combined company's relationships with customers, suppliers, and other third parties following the merger; risks relating to approval of the proposed transaction by stockholders and by governmental regulatory authorities; risks relating to the satisfaction of the closing conditions to the proposed transaction; and risks relating to the timing of the completion of the proposed transaction.

Lam Research and Novellus caution that the foregoing list of factors is not exclusive. Additional information concerning these and other risk factors is contained in Lam Research's and Novellus' most recently filed Annual Reports on Form 10-K, subsequent Quarterly Reports on Form 10-Q, recent Current Reports on Form 8-K, and other SEC filings. All subsequent written and oral forward-looking statements concerning Lam Research, Novellus, the proposed transaction or other matters and attributable to Lam Research or Novellus or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above. All forward-looking statements contained in this joint proxy statement/prospectus and the documents incorporated by reference herein are made only as of the date of the document in which they are contained, and neither Lam Research nor Novellus undertakes any obligation to update any of these forward-looking statements to reflect events or circumstances that may arise after the date hereof.



**Table of Contents****RISK FACTORS**

*In addition to the other information included and incorporated by reference in this joint proxy statement/prospectus, including the matters addressed in the section entitled **Special Note Regarding Forward-Looking Statements**, you should carefully consider the following risks before deciding whether to vote for the proposal to approve the merger, the merger agreement and the principal terms thereof, in the case of Novellus shareholders, or for the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, in the case of Lam Research stockholders. In addition, you should read and consider the risks associated with each of the businesses of Lam Research and Novellus because these risks will also affect the combined company. These risks can be found in the Annual Reports on Form 10-K for the fiscal year ended June 26, 2011, for Lam Research and December 31, 2011 for Novellus, and any amendments thereto, as such risks may be updated or supplemented in each company's subsequently filed Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q or Current Reports on Form 8-K, which will be incorporated by reference into this joint proxy statement/prospectus as they are filed. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference in this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information** beginning on page 162.*

**Risk Factors Relating to the Merger**

***The exchange ratio is fixed and will not be adjusted in the event of any change in either Lam Research's or Novellus' stock price.***

Upon closing of the merger, each share of Novellus common stock will be converted into the right to receive 1.125 shares of Lam Research common stock. This exchange ratio will not be adjusted for changes in the market price of either Lam Research common stock or Novellus common stock between the date of signing the merger agreement and completion of the merger. Changes in the price of Lam Research common stock prior to the merger will affect the value of Lam Research common stock that Novellus shareholders will receive on the date of the merger. The exchange ratio will be adjusted appropriately to fully reflect the effect of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination, exchange of shares or other similar event with respect to the shares of either Lam Research common stock or Novellus common stock prior to the closing of the merger.

The prices of Lam Research common stock and Novellus common stock at the closing of the merger may vary from their prices on the date the merger agreement was executed, on the date of this joint proxy statement/prospectus and on the date of each stockholder meeting. As a result, the value represented by the exchange ratio will also vary. For example, based on the range of closing prices of Lam Research common stock during the period from December 13, 2011, the last trading day before public announcement of the merger, through March 22, 2012, the latest practicable trading date before the date of this joint proxy statement/prospectus, the exchange ratio represented a value ranging from a high of \$50.07 to a low of \$39.22 for each share of Novellus common stock.

These variations could result from changes in the business, operations or prospects of Lam Research or Novellus prior to or following the merger, regulatory considerations, general market and economic conditions and other factors both within and beyond the control of Lam Research or Novellus. We will likely complete the merger a considerable period after the date of both the Lam Research special meeting and the Novellus special meeting. Therefore, at the time of the special stockholders meetings, Novellus shareholders will not know with certainty the value of the shares of Lam Research common stock that they will receive upon completion of the merger.

***Current Lam Research stockholders and Novellus shareholders will have a reduced ownership and voting interest after the merger.***

Lam Research will issue or reserve for issuance approximately 89.5 million shares of Lam Research common stock to Novellus shareholders in the merger (including shares of Lam Research common stock issuable in connection with outstanding Novellus equity awards). Based on the number of shares of common stock of

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Lam Research outstanding on March 12, 2012, the record date for Lam Research's special meeting, and the number of shares of Novellus common stock outstanding on March 14, 2012, the record date of the Novellus special meeting, upon the completion of the merger, current Lam Research stockholders and former Novellus shareholders would own approximately 59% and 41% of the common stock of Lam Research, respectively.

Lam Research stockholders and Novellus shareholders currently have the right to vote for their respective directors and on other matters affecting their respective companies. When the merger occurs, each Novellus shareholder who receives shares of Lam Research common stock will become a stockholder of Lam Research with a percentage ownership of the combined company that will be smaller than the shareholder's percentage ownership of Novellus prior to the merger. Correspondingly, each Lam Research stockholder will remain a stockholder of Lam Research with a percentage ownership of the combined company that will be smaller than the stockholder's percentage of Lam Research prior to the merger. As a result of these reduced ownership percentages, Lam Research stockholders will have less voting power in the combined company than they now have with respect to Lam Research, and former Novellus shareholders will have less voting power in the combined company than they now have with respect to Novellus.

***The merger is subject to the receipt of consents and clearances from domestic and foreign regulatory authorities that may impose conditions that could have an adverse effect on Lam Research, Novellus or the combined company or, if not obtained, could prevent completion of the merger.***

Before the merger may be completed, applicable waiting periods must expire or terminate under antitrust and competition laws and various approvals or consents must be obtained from regulatory entities. In deciding whether to grant antitrust or regulatory clearances, the relevant governmental entities will consider the effect of the merger on competition within their relevant jurisdiction. The terms and conditions of any approvals that are granted may impose requirements, limitations or costs or place restrictions on the conduct of the combined company's business. The merger agreement may require Lam Research and/or Novellus to comply with conditions imposed by regulatory entities and, in certain circumstances, either company may refuse to close the merger on the basis of those regulatory conditions. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions, or that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the merger or imposing additional material costs on or materially limiting the revenues of the combined company following the merger. In addition, neither Lam Research nor Novellus can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger. For a more detailed description of the regulatory review process, see the section entitled "The Merger Regulatory Clearances Required for the Merger".

***Any delay in completing the merger may reduce or eliminate the benefits expected to be achieved thereunder.***

In addition to the required regulatory clearances, the merger is subject to a number of other conditions beyond Lam Research's and Novellus control that may prevent, delay or otherwise materially adversely affect its completion. We cannot predict whether and when these other conditions will be satisfied. Furthermore, the requirements for obtaining the required clearances and approvals could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause the combined company not to realize some or all of the synergies that we expect to achieve if the merger is successfully completed within its expected time frame. See the section entitled "The Merger Agreement Conditions to Completion of the Merger".

***Uncertainties associated with the merger may cause a loss of management personnel and other key employees which could adversely affect the future business and operations of the combined company.***

Lam Research and Novellus are dependent on the experience and industry knowledge of their officers and other key employees to execute their business plans. The combined company's success after the merger will depend in part upon its ability to retain key management personnel and other key employees. Current and prospective employees of Lam Research and Novellus may experience uncertainty about their roles within the

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combined company following the merger or other concerns regarding the timing and completion of the merger or the operations of the combined company, any of which may have an adverse effect on the ability of each of Lam Research and Novellus to attract or retain key management and other key personnel. Accordingly, no assurance can be given that the combined company will be able to attract or retain key management personnel and other key employees of Lam Research and Novellus to the same extent that Lam Research and Novellus have previously been able to attract or retain their own employees.

***Several lawsuits have been filed against Lam Research and Novellus challenging the merger and an adverse ruling may prevent the merger from being completed.***

Lam Research, Novellus, and BLMS Inc., as well as current and former members of Novellus' board of directors, have been named as defendants in several lawsuits brought by Novellus shareholders. Additional lawsuits may be filed against Lam Research, Novellus, Merger Sub, and/or the directors of one of the foregoing companies in connection with the merger. See the section entitled "The Merger - Litigation Related to the Merger" for more information about the lawsuits that have been filed related to the merger.

One of the conditions to the closing of the merger is that no order, injunction, decree or other legal restraint or prohibition shall be in effect that prevents completion of the merger. Consequently, if a settlement or other resolution is not reached in the lawsuits referenced above and the plaintiffs secure injunctive or other relief prohibiting, delaying or otherwise adversely affecting the defendants' ability to complete the merger, then such injunctive or other relief may prevent the merger from becoming effective within the expected time frame or at all.

***If the merger does not qualify as a reorganization under Section 368(a) of the Code, the shareholders of Novellus may be required to pay substantial U.S. federal income taxes.***

As a condition to the completion of the merger, each of Jones Day, tax counsel to Lam Research, and Morrison & Foerster LLP, tax counsel to Novellus, will have delivered an opinion, dated on the closing date of the merger, to the effect that the merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code and that each of Lam Research, Novellus and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code. These opinions will be based on certain assumptions and representations as to factual matters from Lam Research and Novellus, as well as certain covenants and undertakings by Lam Research and Novellus. If any of the assumptions, representations, covenants or undertakings is incorrect, incomplete, inaccurate or is violated in any material respect, the validity of the conclusions reached by counsel in their opinions could be jeopardized. Additionally, an opinion of counsel represents counsel's best legal judgment but is not binding on the IRS or any court, so there can be no certainty that the IRS will not challenge the conclusions reflected in the opinions or that a court will not sustain such a challenge. If the IRS or a court determines that the merger should not be treated as a reorganization, a holder of Novellus common stock would recognize taxable gain or loss upon the exchange of Novellus common stock for Lam Research common stock pursuant to the merger. See the section entitled "Material U.S. Federal Income Tax Consequences".

***Failure to complete the merger could negatively impact the stock prices and the future business and financial results of Lam Research and Novellus.***

If the merger is not completed, the ongoing businesses of Lam Research and/or Novellus may be adversely affected, and Lam Research and Novellus will be subject to several risks, including the following:

being required to pay a termination fee of up to \$120 million under certain circumstances provided in the merger agreement;

having to pay certain costs relating to the merger, such as legal, accounting, financial advisor and printing fees;

having had the focus of each company's management on the merger instead of on pursuing other opportunities that could have been beneficial to the companies; and

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having had the potential benefits of the merger reflected in their respective stock prices, which could lead to stock price volatility and declines if the merger is not completed.

If the merger is not completed, Novellus and Lam Research cannot assure their stockholders that these risks will not materialize and will not materially adversely affect the business, financial results and stock prices of Novellus or Lam Research.

### ***The merger agreement contains provisions that could discourage a potential competing acquiror of either Lam Research or Novellus.***

The merger agreement contains no shop provisions that, subject to limited exceptions, restrict each of Lam Research's and Novellus' ability to solicit, initiate, or knowingly encourage and facilitate competing third-party proposals for the acquisition of their respective company's stock or assets. Further, even if the Lam Research board of directors or the Novellus board of directors withdraws or qualifies its recommendation with respect to the merger, Lam Research or Novellus, as the case may be, will still be required to submit each of their merger-related proposals to a vote at their special meeting, unless the merger agreement is earlier terminated. In addition, the other party generally has an opportunity to offer to modify the terms of the merger in response to any competing acquisition proposals before the board of directors of the company that has received a third-party proposal may withdraw or qualify its recommendation with respect to the merger. The merger agreement further provides that, upon termination of the merger agreement under specified circumstances, including certain terminations in connection with an alternative business combination transaction as permitted by the terms of the Merger Agreement, either Lam Research or Novellus may be required to pay the other a termination fee of \$120 million. In addition, if either Lam Research or Novellus breaches the merger agreement's covenant on non-solicitation, it may be required to pay the other a termination fee of \$80 million. See the sections entitled "The Merger Agreement - No Solicitation of Alternative Proposals", "The Merger Agreement - Termination of the Merger Agreement" and "The Merger Agreement - Expenses and Termination Fees; Liability for Breach".

These provisions could discourage a potential third-party acquiror that might have an interest in acquiring all or a significant portion of Lam Research or Novellus from considering or proposing that acquisition, even if it were prepared to pay consideration with a higher per share cash or market value than the market value proposed to be received or realized in the merger. These provisions might also result in a potential third-party acquiror proposing to pay a lower price to the stockholders than it might otherwise have proposed to pay because of the added expense of the \$120 million or \$80 million termination fee that may become payable in certain circumstances.

If the merger agreement is terminated and either Lam Research or Novellus determines to seek another business combination, it may not be able to negotiate a transaction with another party on terms comparable to, or better than, the terms of the merger.

### ***The opinions obtained by the boards of directors of Lam Research and Novellus from their respective financial advisors will not reflect changes in circumstances between signing the merger agreement and the completion of the merger.***

Neither the Lam Research board of directors nor the Novellus board of directors has obtained an updated opinion as of the date of this joint proxy statement/prospectus from Goldman Sachs & Co., Lam Research's financial advisor, or BofA Merrill Lynch, Novellus' financial advisor, nor have they requested such an update at any time in the future. These opinions were necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to the financial advisors as of, the date of such opinions. Developments subsequent to the date of such opinions, including changes in the operations and prospects of Lam Research or Novellus, general market and economic conditions and other factors that may be beyond the control of Lam Research and Novellus, may affect such opinions. The opinions are included as Annexes C and D to this joint proxy statement/prospectus. For a description of the opinion that the Lam Research board of directors received from its financial advisor and a summary of the material financial

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analyses it provided to the Lam Research board of directors in connection with rendering such opinion, please refer to the section entitled "The Merger Opinion of Lam Research's Financial Advisor". For a description of the opinion that the Novellus board of directors received from its financial advisor and a summary of the material financial analyses it provided to the Novellus board of directors in connection with rendering such opinion, please refer to the section entitled "The Merger Opinion of Novellus' Financial Advisors".

***Future results of the combined company may differ materially from the unaudited pro forma financial statements included in this document and the financial forecasts prepared by Lam Research and Novellus in connection with the discussions concerning the merger.***

The pro forma financial statements contained in this document are presented for illustrative purposes only, are based on various adjustments, assumptions and preliminary estimates and may not be an indication of the combined company's financial condition or results of operations following the merger for several reasons. See the section entitled "Unaudited Pro Forma Condensed Combined Consolidated Financial Information". The actual financial condition and results of operations of the combined company following the merger may not be consistent with, or evident from, these pro forma financial statements or the financial forecasts prepared by Lam Research and Novellus. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect the combined company's financial condition or results of operations following the merger. Any potential decline in the combined company's financial condition or results of operations may cause significant variations in the stock price of the combined company.

***Novellus' executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of Novellus shareholders generally.***

Novellus' executive officers and directors have interests in the merger that may be different from, or in addition to, the interests of Novellus shareholders generally. Novellus' executive officers negotiated the terms of the merger agreement. Novellus has an Amended and Restated Employment Agreement with Mr. Hill, as described in further detail in the section entitled "The Merger Interests of Novellus Directors and Executive Officers in the Merger", that provides for severance benefits if his employment is terminated under certain circumstances following the completion of the merger. In addition, Mr. Hill has entered into a new consulting agreement with Lam Research, and Mr. Archer has entered into a new employment agreement with Lam Research, both of which are contingent upon and will take effect as of the closing of the merger. Certain of Novellus' compensation and benefit plans and arrangements in which Novellus' executive officers participate provide for payment or accelerated vesting or distribution of certain rights or benefits upon completion of the merger. Executive officers and directors of Novellus also have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger. In addition, pursuant to the terms of the merger agreement, as of the date of this joint proxy statement/prospectus, Lam Research and Novellus have mutually agreed that Youssef A. El-Mansy, Krishna Saraswat, William R. Spivey, and Delbert A. Whitaker, each of whom is currently a director of Novellus, shall be designated to join Lam Research's board of directors immediately following the effective time of the merger. Upon appointment, each director will receive prorated annual compensation for service as a director consistent with Lam Research's policies for compensation of non-employee directors. Lam Research has agreed to indemnify the designated directors on the same terms as the other non-employee directors of Lam Research.

The Novellus board of directors was aware of these interests at the time it approved the merger and the transactions contemplated by the merger agreement. These interests may cause Novellus' directors and executive officers to view the merger proposal differently and more favorably than you may view it. See the section entitled "The Merger Interests of Novellus Directors and Executive Officers in the Merger", for more information.

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**Risk Factors Relating to the Combined Company Following the Merger**

*The combined company may be unable to integrate the businesses of Lam Research and Novellus successfully or realize the anticipated benefits of the merger.*

The merger involves the combination of two companies that currently operate as independent public companies. The combined company will be required to devote significant management attention and resources to integrating the business practices and operations of Lam Research and Novellus. Potential difficulties the combined company may encounter as part of the integration process include the following:

the inability to successfully combine the businesses of Lam Research and Novellus in a manner that permits the combined company to achieve the full revenue and cost synergies and other benefits anticipated to result from the merger;

complexities associated with managing the combined businesses, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a seamless manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies; and

potential unknown liabilities and unforeseen increased expenses or delays associated with the merger.

In addition, Lam Research and Novellus have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in:

diversion of the attention of each company's management; and

the disruption of, or the loss of momentum in, each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies,

any of which could adversely affect each company's ability to maintain relationships with customers, suppliers, employees and other constituencies or Lam Research's and Novellus' ability to achieve the anticipated benefits of the merger, or could reduce each company's earnings or otherwise adversely affect the business and financial results of the combined company.

*The future results of the combined company will suffer if the combined company does not effectively manage its expanded operations following the merger.*

Following the merger, the size of the business of the combined company will increase significantly beyond the current size of either Lam Research's or Novellus' business. The combined company's future success depends, in part, upon its ability to manage this expanded business, which will pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected operating efficiencies, cost savings, revenue enhancements or other benefits currently anticipated from the merger.

*The combined company is expected to incur substantial expenses related to the merger and the integration of Lam Research and Novellus.*

The combined company is expected to incur substantial expenses in connection with the merger and the integration of Lam Research and Novellus. There are a large number of processes, policies, procedures, operations, technologies and systems that must be integrated, including purchasing, accounting and finance, sales, payroll, pricing, marketing and benefits. While Lam Research and Novellus have assumed that a certain level of expenses will be incurred, there are many factors beyond their control that could affect the total amount or the timing of the integration expenses. Moreover, many of the expenses that will be incurred are, by their



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nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings. These integration expenses likely will result in the combined company taking significant charges against earnings following the completion of the merger, and the amount and timing of such charges are uncertain at present.

***The merger may result in a loss of customers or strategic alliances.***

As a result of the merger, some of the customers, potential customers or strategic partners of Lam Research or Novellus may terminate or scale back their business relationship with the combined company. Some customers may not wish to source a larger percentage of their needs from a single company, or may feel that Lam Research or Novellus, as appropriate, and thus the combined company is too closely allied with one of their competitors. Potential customers or strategic partners may delay entering into, or decide not to enter into, a business relationship with the combined company because of the merger. If customer relationships or strategic alliances are adversely affected by the merger, the combined company's business and financial performance would suffer.

***Third parties may terminate or alter existing contracts with Novellus.***

Novellus has contracts with suppliers, distributors, customers, licensors, licensees, lessors, and other business partners that have change of control or similar clauses that allow the counterparty to terminate or change the terms of their contract upon the closing of the transactions contemplated by the merger agreement. Lam Research and Novellus will seek to obtain consent from these other parties, but if these third party consents cannot be obtained, or are obtained on unfavorable terms, the combined company may lose the benefit of such contracts, including benefits that may be material to the business of the combined company.

***The increase in Lam Research's leverage and debt service obligations as a result of the assumption of Novellus convertible debt, as well as potential note conversion activities related to such convertible debt, may adversely affect the combined company's financial condition, results of operations and earnings per share.***

Upon the completion of the merger, Lam Research will be responsible for the obligations of Novellus under its existing convertible debt (the Novellus convertible debt), and the Novellus convertible debt will become convertible into shares of Lam Research common stock under the terms and conditions of the indentures governing the Novellus convertible debt, including as a result of the merger during a conversion period as set forth in the indenture governing the Novellus convertible debt.

As of March 23, 2012, \$700,000,000 in aggregate principal amount of the Novellus convertible debt was outstanding.

As a result of such assumption, Lam Research will have a greater amount of debt than it has maintained in the past. Lam Research's current outstanding debt includes \$900,000,000 in outstanding principal amount of convertible debt. Lam Research's maintenance of higher levels of indebtedness could have adverse consequences including:

impacting Lam Research's ability to satisfy its obligations;

increasing the portion of Lam Research's 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 Lam Research's ability to obtain additional financing in the future.

Lam Research's ability to meet its expenses and debt obligations will depend on its future performance, which will be affected by financial, business, economic, regulatory and other factors. Furthermore, Lam Research's operations may not generate sufficient cash flows to enable it to meet its expenses and service its



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debt. As a result, Lam Research may need to enter into new financing arrangements to obtain the necessary funds. If Lam Research determines that it is necessary to seek additional funding for any reason, it may not be able to obtain such funding or, if funding is available, obtain it on acceptable terms. If Lam Research fails to make a payment on its debt, it could be in default on such debt, and this default could cause Lam Research to be in default on our other outstanding indebtedness.

Following the merger, holders of the Novellus convertible debt will be able to convert such debt in several circumstances, including during any fiscal quarter if the last reported sale price of Lam Research's common stock for at least 20 trading days (whether or not consecutive) during the 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 applicable conversion price on each applicable trading day. 130% of the currently applicable conversion price is \$44.75 per share of Lam Research common stock, and the closing price of Lam Research common stock on March 22, 2012, the most recent practicable date prior to the filing of this joint proxy/prospectus, was \$43.45. If the trading price of Lam Research common stock continues at comparable or higher levels in the future, the Novellus convertible debt is likely to be convertible at the option of the holders in future quarters. The Novellus convertible debt may also be converted at any time from and after the later of (i) the date that is 30 scheduled trading days immediately prior to the anticipated closing date of the merger and (ii) the date on which Novellus delivers to the debt holders notice of the merger until 35 business days after the actual closing date of the merger.

While we can provide no assurances, our expectation, based on the market prices of Lam Research and Novellus common stock as of the date of this joint proxy statement/prospectus, is that there is a low likelihood that holders of Novellus convertible debt will choose to exercise conversion rights as a result of the merger. However, in the event that holders choose to exercise their rights to convert Novellus convertible debt, such conversion may cause dilution to Lam Research's stockholders and to its earnings per share. Upon conversion of any of the Novellus convertible debt, Lam Research will deliver cash in the amount of the principal amount of such converted Novellus convertible debt and, with respect to any excess conversion value greater than the principal amount of such converted Novellus convertible debt, shares of Lam Research common stock, which would result in dilution to Lam Research stockholders. Prior to the maturity of the Novellus convertible debt, if the price of Lam Research's common stock exceeds the conversion price, GAAP would require that Lam Research report an increase in diluted share count, which would result in lower reported earnings per share. The price of Lam Research common stock could also be affected by sales of its common stock by investors who view the Novellus convertible debt as a more attractive means of equity participation in Lam Research and by hedging activity that may develop involving Lam Research common stock by holders of the Novellus convertible debt.

***The rights of Novellus shareholders holding Lam Research common stock following the completion of the merger will be governed by Delaware law and differ from the rights of shareholders under California law.***

Because Lam Research is a Delaware corporation, the rights of holders of its stock are governed by the laws of the State of Delaware and by Lam Research's certificate of incorporation. These rights differ in certain ways from the rights of Novellus shareholders under California law and under Novellus' articles of incorporation, including but not limited to those differences described under Comparison of Rights of Lam Research Stockholders and Novellus Shareholders.

**Other Risk Factors of Lam Research and Novellus**

Lam Research's and Novellus' businesses are and will be subject to the risks described above. In addition, Lam Research and Novellus are, and will continue to be, subject to the risks described in Lam Research's Annual Report on Form 10-K for the fiscal year ended June 26, 2011, and Novellus' Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as updated by subsequent Quarterly Reports on Form 10-Q, all of which are filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See the section entitled Where You Can Find More Information for the location of information incorporated by reference in this joint proxy statement/prospectus.

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**THE COMPANIES**

**Lam Research Corporation**

Lam Research Corporation, a Delaware corporation ( Lam Research ), is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. For more than thirty years, Lam Research has contributed to the advancement of semiconductor manufacturing processes that have led to the proliferation of a variety of electronic products that impact our everyday lives, including cell phones, computers, memory, and networking equipment. Lam Research's customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make DRAM, NAND, and logic devices for these products. Lam Research designs, manufactures, markets, refurbishes, and services semiconductor processing equipment used in the fabrication of integrated circuits.

Lam Research's common stock is traded on the NASDAQ Global Select Market under the symbol LRCX.

The principal executive offices of Lam Research are located at 4650 Cushing Parkway, Fremont, CA 94538, and its telephone number is (510) 572-0200.

**Novellus Systems, Inc.**

Novellus Systems, Inc., a California corporation ( Novellus ), is a leading provider of advanced process equipment for the global semiconductor industry. Certain of Novellus' products are used to deposit extremely thin films of insulating and conductive materials that are used to create the wiring on a chip. Other Novellus products are used to clean the surface of the chip in-between manufacturing steps, or to post-treat deposited films in order to improve mechanical properties. Novellus' products deliver value to customers by providing innovative technology backed by trusted productivity. Novellus maintains engineering facilities in San Jose, California, and engineering and manufacturing facilities in Tualatin, Oregon, and has sales and service operations in 15 countries around the world to support a global customer base.

Novellus' common stock is traded on the NASDAQ Global Select Market under the symbol NVLS.

Novellus is headquartered at 4000 North First Street, San Jose, California, 95134, and its telephone number is (408) 943-9700. Additional information about Novellus and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See the section entitled Where You Can Find More Information .

**BLMS Inc.**

BLMS Inc. ( Merger Sub ), a wholly owned subsidiary of Lam Research, is a California corporation that was formed on December 7, 2011 for the sole purpose of effecting the merger. In the merger, Merger Sub will be merged with and into Novellus, with Novellus surviving as a wholly owned subsidiary of Lam Research.

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### **THE LAM RESEARCH SPECIAL MEETING**

*This joint proxy statement/prospectus is being provided to the stockholders of Lam Research as part of a solicitation of proxies by Lam Research's board of directors for use at Lam Research's special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus provides stockholders of Lam Research with the information they need to know to be able to vote or instruct their vote to be cast at Lam Research's special meeting.*

#### **Date, Time and Place**

The special meeting of Lam Research stockholders will be held at the principal executive offices of Lam Research, which are located at 4650 Cushing Parkway, Fremont, California 94538 at 8:00 a.m., local time on May 10, 2012.

#### **Purpose of the Lam Research Special Meeting**

At the Lam Research special meeting, Lam Research stockholders will be asked to consider and vote on:

the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger as contemplated by the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus; and

the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes for the approval of the foregoing proposal.

Completion of the merger is conditioned on approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger.

#### **Recommendation of the Board of Directors of Lam Research**

The Lam Research board of directors has unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger are advisable and in the best interests of Lam Research and its stockholders.

**The Lam Research board of directors unanimously recommends that Lam Research stockholders vote (i) FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and (ii) FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.**

#### **Lam Research Record Date; Stockholders Entitled to Vote**

Only Lam Research stockholders of record at the close of business on March 12, 2012, the record date for the Lam Research special meeting, are entitled to notice of, and to vote at, the Lam Research special meeting or any adjournments or postponements thereof.

At the close of business on the Lam Research record date, there were 119,768,891 shares of Lam Research common stock issued and outstanding and entitled to vote at the Lam Research special meeting. Lam Research stockholders will have one vote for each share of Lam Research common stock they owned on the Lam Research record date, in person or through the Internet or by telephone or by a properly executed and delivered proxy with respect to the Lam Research special meeting. A list of stockholders of Lam Research will be available for review for any purpose germane to the special meeting at Lam Research executive offices and principal place of business at 4650 Cushing Parkway, Fremont, CA 94538, during regular business hours for a period of 10 days before the special meeting. The list will also be available at the special meeting for examination by any stockholder of record present at the special meeting.

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### **Voting by Lam Research's Directors and Executive Officers**

At the close of business on the Lam Research record date, directors and executive officers of Lam Research and their affiliates were entitled to vote 952,830 shares of Lam Research common stock, or approximately 0.8% of the shares of Lam Research common stock outstanding on that date. We currently expect that Lam Research directors and executive officers will vote their shares in favor of the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, although none of them has entered into any agreement obligating them to do so.

### **Quorum**

Stockholders who hold shares representing at least a majority of the shares entitled to vote at the Lam Research special meeting must be present in person or represented by proxy to constitute a quorum for the transaction of business at the Lam Research special meeting. If a quorum is not present, or if fewer shares are voted in favor of either proposal than is required, the special meeting may be adjourned by the vote of a majority of the shares present in person or represented by proxy and entitled to vote at the special meeting to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Abstentions (shares of Lam Research common stock for which proxies have been received but for which the holders have abstained from voting) will be included in the calculation of the number of shares of Lam Research common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Lam Research common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

The issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger requires the affirmative vote of holders of a majority of the shares of Lam Research common stock present in person or represented by proxy and entitled to vote on the proposal.

The adjournment of the Lam Research special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies requires the affirmative vote of holders of a majority of the shares of Lam Research common stock present in person or represented by proxy and entitled to vote on the proposal.

Completion of the merger is conditioned on approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger.

### **Failure to Vote, Broker Non-Votes and Abstentions**

If you fail to vote or fail to instruct your broker, bank or other nominee to vote (i.e. a broker non-vote), it will have no effect on the voting for either proposal assuming a quorum is present. This is because the affected shares will not be treated as present in person or represented by proxy with respect to either proposal, and therefore will be excluded entirely from the calculation of votes. Abstentions, which will occur if a Lam Research stockholder attends the Lam Research special meeting, either in person or by proxy, but abstains from voting, will have the same effect as a vote AGAINST both the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.

### **Voting of Proxies by Holders of Record**

If you are a holder of record, a proxy card is enclosed for your use. Lam Research requests that you submit a proxy via Internet by logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number



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located on your meeting notice or proxy card, by telephone by dialing 1-800-690-6903 and listening for further directions, or by signing the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. When the accompanying proxy is returned properly executed, the shares of Lam Research common stock represented by it will be voted at the Lam Research special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy.

If a proxy is returned without an indication as to how the shares of Lam Research common stock represented are to be voted with regard to a particular proposal, the Lam Research common stock represented by the proxy will be voted in accordance with the recommendation of the Lam Research board of directors and, therefore, (i) FOR the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and (ii) FOR the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance. At the date hereof, management has no knowledge of any business that will be presented for consideration at the special meeting and which would be required to be set forth in this joint proxy statement/prospectus or the related proxy card other than the matters set forth in the Lam Research Notice of Special Meeting of Stockholders. If any other matter is properly presented at the special meeting for consideration, it is intended that the persons named in the enclosed form of proxy and acting thereunder will vote in accordance with their best judgment on such matter.

**Your vote is important. Lam Research stockholders should sign and return the enclosed proxy card whether or not they plan to attend the Lam Research special meeting in person. Proxies submitted through the specified Internet website or by phone must be received by 11:59 p.m., eastern time, on May 9, 2012.**

**Shares Held in the Lam Research 401(k) Plan**

If you hold unitized interests in shares of Lam Research's common stock through the Savings Plus Plan, Lam Research 401(k) (the Lam Research 401(k) Plan), you may instruct the trustee of the Lam Research 401(k) Plan, Fidelity Management Trust Company (the trustee), in a confidential manner, how to vote (including an instruction not to vote) the shares allocated to you in the Lam Research 401(k) Plan by one of the following three methods:

logging onto [www.proxyvote.com](http://www.proxyvote.com) to vote over the Internet anytime up to 11:59 p.m., eastern time, on May 7, 2012 and following the instructions provided on that site;

dialing 1-800-690-6903 and listening for further directions to vote by telephone anytime up to 11:59 p.m., eastern time, on May 7, 2012 and following the instructions provided in the recorded message; or

marking, signing and mailing your instruction card to the address indicated on your instruction card. Your instruction card must be received by the trustee, Fidelity Management Trust Company, at Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 no later than 11:59 p.m., eastern time, on May 7, 2012 to ensure that the trustee is able to vote your shares in accordance with your wishes.

In addition, since only the trustee of the Lam Research 401(k) Plan can vote the shares of Lam Research common stock allocated to your Lam Research 401(k) Plan account, you will not be able to vote those shares personally at the Lam Research special meeting. Please note that the applicable trust agreement governing the Lam Research 401(k) Plan provides that, if the trustee does not receive your voting instructions, the trustee will not vote the shares allocated to your Lam Research 401(k) Plan account unless the trustee is otherwise required to do so by applicable law.

If you are a participant (or a beneficiary of a deceased participant) in the Lam Research 401(k) Plan and you also own other shares of Lam Research common stock outside of your Lam Research 401(k) Plan account, you should receive a proxy card for shares credited to your account in the Lam Research 401(k) Plan and a separate proxy card if you are a record holder of additional shares of Lam Research common stock or a separate voting instruction card if you hold additional shares of Lam Research common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker,

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bank or other nominee and shares that are allocated to your Lam Research 401(k) Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of Lam Research common stock.

### **Shares Held in Street Name**

If you hold your shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by your bank or broker. Please note that you may not vote shares held in street name by returning a proxy card directly to Lam Research or by voting in person at the Lam Research stockholders meeting unless you have a legal proxy, which you must obtain from your bank or broker. Further, brokers who hold shares of Lam Research common stock on behalf of their customers may not give a proxy to Lam Research to vote those shares without specific instructions from their customers.

If you are a Lam Research stockholder with shares held in street name and you do not instruct your broker on how to vote your shares, your broker may not vote your shares on the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger or on the proposal to adjourn the Lam Research special meeting, if necessary or appropriate, to solicit additional proxies in favor of the stock issuance.

### **Revocation of Proxies**

If you are the record holder of Lam Research common stock, you can change your vote or revoke your proxy at any time before your proxy is voted at the special meeting. You can do this by:

timely delivering a new, valid proxy bearing a later date by submitting instructions through the Internet, by telephone or by mail as described on the proxy card; or

attending the Lam Research special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the Lam Research special meeting without voting will not revoke any proxy that you have previously given or change your vote.

A registered stockholder may revoke a proxy by any of these methods, regardless of the method used to deliver the stockholder's previous proxy.

Please note that if your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or other nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your vote by attending the special meeting and voting in person, your vote in person at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or other nominee).

### **Solicitation of Proxies**

Lam Research is soliciting proxies for the Lam Research special meeting and, in accordance with the merger agreement, the cost of proxy solicitation will be borne by Lam Research. In addition to solicitation by use of mails, proxies may be solicited by Lam Research directors, officers and employees including Martin B. Anstice, Lam Research's President and Chief Executive Officer, James W. Bagley, Chairman of Lam Research's Board of Directors, Stephen G. Newberry, Vice-Chairman of Lam Research's Board of Directors, and others, in person or by telephone or other means of communication. These individuals will not be additionally compensated, but may be reimbursed for out-of-pocket expenses associated with solicitation. Arrangements will also be made with custodians, nominees and fiduciaries for forwarding of proxy solicitation material to beneficial owners of common stock and voting preferred stock held of record, and Lam Research may reimburse these individuals for

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their reasonable expenses. To help assure the presence in person or by proxy of the largest number of stockholders possible, Lam Research has engaged MacKenzie Partners, Inc., a proxy solicitation firm, to solicit proxies on Lam Research's behalf. Lam Research has agreed to pay MacKenzie Partners, Inc. a proxy solicitation fee currently estimated at \$40,000. Lam Research will also reimburse MacKenzie Partners, Inc. for its reasonable out-of-pocket costs and expenses.

**Adjournments**

**Any adjournment of the special meeting may be made from time to time by Lam Research stockholders, by approval of the holders of a majority of the shares of Lam Research common stock present in person or represented by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting. If a quorum is not present at the special meeting, or if a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the proposal to issue shares of Lam Research common stock to Novellus shareholders, then Lam Research stockholders may be asked to vote on a proposal to adjourn the special meeting so as to permit the further solicitation of proxies.**



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**THE NOVELLUS SPECIAL MEETING**

*This joint proxy statement/prospectus is being provided to the shareholders of Novellus as part of a solicitation of proxies by Novellus board of directors for use at Novellus special meeting to be held at the time and place specified below, and at any properly convened meeting following an adjournment or postponement thereof. This joint proxy statement/prospectus provides shareholders of Novellus with the information they need to know to be able to vote or instruct their vote to be cast at Novellus special meeting.*

**Date, Time and Place**

The special meeting of the Novellus shareholders is scheduled to be held at Novellus principal executive offices at 4000 North First Street, San Jose, California, 95134, on May 10, 2012, at 2:00 p.m., local time.

**Purpose of the Novellus Special Meeting**

At the Novellus special meeting, the Novellus shareholders will be asked to consider and vote on:

the proposal to approve the merger, the merger agreement and the principal terms thereof, which are further described in the sections entitled The Merger and The Merger Agreement ;

the proposal to adjourn the Novellus special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the foregoing proposal regarding the merger; and

the proposal to approve, on an advisory basis, the merger-related executive compensation, which is further described in the sections entitled Interests of Novellus Directors and Officers in the Merger and Advisory Vote Regarding Certain Executive Compensation .

**Recommendation of the Board of Directors of Novellus**

The Novellus board of directors has unanimously (i) determined that the merger is fair to and in the best interests of Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, and (iii) approved the merger and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby.

**The Novellus board of directors unanimously recommends that Novellus shareholders vote:**

**FOR the proposal to approve the merger, the merger agreement and the principal terms thereof;**

**FOR the adjournment proposal; and**

**FOR the proposal to approve the merger-related executive compensation for Novellus named executive officers.**  
**Novellus Record Date; Shares Entitled to Vote**

Only holders of record of shares of Novellus common stock at the close of business on March 14, 2012, the record date for Novellus special meeting, are entitled to notice of, and to vote at, the Novellus special meeting and at any adjournment of the meeting.

On the record date, there were 71,243,561 shares of Novellus common stock outstanding and entitled to vote at the Novellus special meeting, which are held by 599 holders of record. Holders of record of Novellus common stock are entitled to one vote per share at the special meeting on each proposal up for consideration, in person or through the Internet or by telephone or by a properly executed and delivered proxy with respect

to the Novellus special meeting.

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A list of shareholders of Novellus will be available for review for any purpose germane to the special meeting at Novellus principal executive offices located at 4000 North First Street, San Jose, California, 95134, during regular business hours for a period of 10 days before the special meeting. The list will also be available at the special meeting for examination by any shareholder of record present at the special meeting.

### **Voting by Novellus Directors and Executive Officers**

On the record date, approximately 0.59% of the outstanding shares of Novellus common stock entitled to vote was held by Novellus directors, executive officers and their respective affiliates. Novellus currently expects that its directors and executive officers will vote their shares in favor of the merger, the merger agreement and the principal terms thereof, and Mr. Richard S. Hill, the Chairman of the Board and Chief Executive Officer of Novellus, has entered into a voting agreement obligating him to do so, subject to certain exceptions. Additionally, Novellus currently expects that its directors and executive officers will vote their shares for the proposal to approve the merger-related executive compensation and for the adjournment proposal.

### **Quorum**

A quorum is necessary to hold a valid special meeting of Novellus shareholders. The presence in person or by proxy of a majority of the shares of Novellus common stock outstanding will constitute a quorum for the transaction of business at the special meeting. If a quorum is not present, or if fewer shares of Novellus common stock are voted in favor of the proposal to approve the merger, the merger agreement and the principal terms thereof than the number required for its approval, the special meeting may be adjourned to allow additional time for obtaining additional proxies or votes. At any subsequent reconvening of the special meeting, all proxies will be voted in the same manner as they would have been voted at the original convening of the special meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent meeting.

Abstentions (shares of Novellus common stock for which proxies have been received but for which the holders have abstained from voting) will be included in the calculation of the number of shares of Novellus common stock represented at the special meeting for purposes of determining whether a quorum has been achieved. However, broker non-votes will not be included in the calculation of the number of shares of Novellus common stock represented at the special meeting for purposes of determining whether a quorum has been achieved.

### **Required Vote**

Approval of the merger, the merger agreement and the principal terms thereof requires the affirmative vote of the holders of a majority of the outstanding shares of Novellus common stock entitled to vote on the proposal. Approval of the merger-related executive compensation and any adjournment proposal requires the affirmative vote of a majority of the shares of Novellus common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum), assuming that a quorum is present. If a quorum is not present, approval of the adjournment of the Novellus special meeting requires the affirmative vote of holders of a majority of the shares entitled to vote and present in person or represented by proxy at the Novellus special meeting. Failure to submit a proxy card (including via the internet or by telephone) or to vote in person at the special meeting, abstentions and broker non-votes will have the effect of a vote AGAINST the merger, the merger agreement and the principal terms thereof for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters rights (see the section entitled Dissenters Rights for Novellus Shareholders for more information). Failure to submit a proxy card (including via the internet or by telephone) or to vote in person at the special meeting, abstentions and broker non-votes will have no effect on the outcome of the vote on merger-related executive compensation or any adjournment proposal, assuming that a quorum is present. If a quorum is not present, abstentions will have the effect of a vote AGAINST any adjournment proposal, but failures to vote and broker non-votes will have no effect on any adjournment proposal.

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If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the merger, the merger agreement and the principal terms thereof, the special meeting may be adjourned to another time or place without further notice unless the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

### **Failure to Vote, Broker Non-Votes and Abstentions**

Under the rules of the New York Stock Exchange, or NYSE, governing banks, brokers, trusts or other nominees, such nominees may vote those shares in their discretion on certain routine proposals when they do not receive timely voting instructions from the beneficial holders. A broker non-vote occurs under these NYSE rules when a bank, broker, trust or other nominee holding shares of record is not permitted to vote on a non-routine matter without instructions from the beneficial owner of the shares and no instruction is given.

In accordance with these NYSE rules, banks, brokers and other nominees who hold shares of Novellus common stock in street name for their customers, but do not have discretionary authority to vote the shares, may not exercise their voting discretion with respect to the proposal to approve the merger, the merger agreement and the principal terms thereof or the proposal to approve the merger-related executive compensation. Accordingly, if banks, brokers or other nominees do not receive specific voting instructions from the beneficial owner of such shares, they may not vote such shares with respect to the foregoing proposals. For shares of Novellus common stock held in street name, only shares of Novellus common stock affirmatively voted FOR the proposal to approve the merger, the merger agreement and the principal terms thereof and FOR the proposal to approve the merger-related executive compensation will be counted as favorable votes for such proposals. Abstaining from voting, or failing to provide voting instructions to your bank, broker or other nominee, will have the same effect as a vote AGAINST the proposal to approve the merger, the merger agreement and the principal terms thereof for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters' rights (see the section entitled Dissenters' Rights for Novellus Shareholders for more information).

Abstentions and broker non-votes will have no effect on the outcome of the vote on merger-related executive compensation or any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger, the merger agreement and the principal terms thereof, assuming that a quorum is present.

### **Voting at the Special Meeting**

Whether or not you plan to attend Novellus' special meeting, please vote your shares. If you are a registered or record holder, which means your shares are registered in your name with Novellus' transfer agent and registrar, you may vote in person at the special meeting or by proxy. If your shares are held in street name, which means your shares are held of record in an account with a broker, bank or other nominee, you must follow the instructions from your broker, bank or other nominee in order to vote.

In addition, if you are a record shareholder, please be prepared to provide proper identification, such as a driver's license. If you hold your shares in street name, you will need to provide proof of ownership, such as a proxy executed in your favor from your bank, broker or other nominee, along with proper identification.

### **Voting in Person**

If you plan to attend the Novellus special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name, and you wish to vote at the special meeting, you must bring to the special meeting a proxy executed in your favor from the record holder (your broker, bank or other nominee) of the shares authorizing you to vote at the special meeting.

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### **Voting by Proxies**

If you are a holder of record, a proxy card is enclosed for your use. Novellus requests that you submit a proxy via Internet by logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the instructions on your proxy card or by telephone by dialing 1 (800) 690-6903 and listening for further directions or by completing, signing and dating the accompanying proxy and returning it promptly in the enclosed postage-paid envelope. You should vote your proxy in advance of the meeting even if you plan to attend the Novellus special meeting. You can always change your vote at the special meeting.

If you hold your shares of Novellus common stock in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to vote your shares. If you vote by Internet or telephone, you need not return a proxy card by mail, but your vote must be received by 11:59 p.m., eastern time, on May 9, 2012.

### **Shares Held in the Novellus Retirement Plan**

If you hold shares of Novellus common stock through the Novellus Stock Fund under the Novellus Retirement Plan, you may instruct the trustee of the Novellus Retirement Plan, Vanguard Fiduciary Trust Company (the trustee), in a confidential manner, how to vote (including an instruction not to vote) the shares allocated to your Novellus Retirement Plan account by one of the following three methods:

logging onto [www.proxyvote.com](http://www.proxyvote.com) and following the prompts using your control number located on your meeting notice or proxy card to vote over the Internet anytime up to 5:00 p.m., eastern time, on May 7, 2012 and following the instructions provided on that site;

dialing 1 (800) 690-6903 and listening for further directions to vote by telephone anytime up to 5:00 p.m., eastern time, on May 7, 2012 and following the instructions provided in the recorded message; or

marking, signing and mailing your proxy card to the address indicated on your proxy card. Your proxy card must be received by the Novellus Retirement Plan trustee, Vanguard Fiduciary Trust Company, at Vote Processing c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717, no later than 5:00 p.m., eastern time, on May 7, 2012, to ensure that the trustee is able to vote your shares in accordance with your wishes.

In addition, since only the trustee can vote the shares of Novellus common stock allocated to your Novellus Retirement Plan account, you will not be able to vote those shares personally at the Novellus special meeting. Please note that the applicable trust agreement governing the Novellus Retirement Plan provides that if the trustee does not receive your voting instructions, the trustee will vote the shares allocated to your Novellus Retirement Plan account in the same proportions as the shares for which the trustee receives timely voting instructions.

If you are a participant (or a beneficiary of a deceased participant) in the Novellus Retirement Plan and you also own other shares of Novellus common stock outside of your Novellus Retirement Plan account, you should receive a proxy card for shares credited to your account in the Novellus Retirement Plan and a separate proxy card if you are a record holder of additional shares of Novellus common stock or a separate voting instruction card if you hold additional shares of Novellus common stock through a broker, bank or other nominee. You must vote shares that you hold as a stockholder of record, shares that you hold through a broker, bank or other nominee and shares that are allocated to your Novellus Retirement Plan account separately in accordance with each of the proxy cards and voting instruction cards you receive with respect to such shares of Novellus common stock.

### **How Proxies are Counted**

All shares represented by properly executed proxies received in time for the Novellus special meeting will be voted at the meeting in the manner specified by the shareholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR the proposals to approve (i) the merger, the merger agreement and the principal terms thereof and (ii) the merger-related executive compensation.

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Only shares affirmatively voted for the proposals, and properly executed proxies that do not contain voting instructions, will be counted as favorable votes for the foregoing proposals. Abstentions and broker non-votes will have the same effect as votes AGAINST the proposal to approve the merger, the merger agreement and the principal terms thereof for purposes of determining whether or not such proposal has been approved, but will not be sufficient for shareholders seeking to perfect their dissenters' rights (see the section entitled Dissenters' Rights for Novellus Shareholders for more information). Abstentions and broker non-votes will have no effect on the outcome of the vote on merger-related executive compensation or any proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes to approve the merger and the merger agreement and the principal terms thereof, assuming that a quorum is present.

## **Revocation of Proxies**

If you are a holder of record on the record date for the Novellus special meeting, you can change your vote or revoke your proxy at any time before your proxy is voted at the Novellus special meeting. You can do this by:

timely delivering a signed notice of revocation to the Secretary of Novellus;

timely delivering a new, valid proxy bearing a later date by submitting instructions through the Internet, by telephone or by mail as described on the proxy card; or

attending the Novellus special meeting and voting in person, which will automatically cancel any proxy previously given, or you can revoke your proxy in person. Simply attending the Novellus special meeting without voting will not revoke any proxy that you have previously given or change your vote.

Written notices of revocation and other communications with respect to the revocation of proxies should be addressed as follows:

Novellus Systems, Inc.

4000 North First Street

San Jose, California, 95134

Attention: Secretary

Please note that if your shares are held in street name through a broker, bank or other nominee, you may change your vote by submitting new voting instructions to your broker, bank or nominee in accordance with its established procedures. If your shares are held in the name of a broker, bank or other nominee and you decide to change your vote by attending the special meeting and voting in person, your vote in person at the special meeting will not be effective unless you have obtained and present an executed proxy issued in your name from the record holder (your broker, bank or nominee).

## **Solicitation of Proxies**

Novellus is soliciting proxies for its special meeting from its shareholders. Novellus will pay its own costs of soliciting proxies from its shareholders, including the cost of mailing this joint proxy statement/prospectus. In addition to solicitation by use of the mails, proxies may be solicited by each of Novellus' directors and officers each of whom is a participant in this solicitation, in person or by telephone or other means of communication. These persons will not receive additional compensation, but may be reimbursed for reasonable out-of-pocket expenses in connection with this solicitation.

Novellus has retained the services of Georgeson Inc. to assist in the solicitation of proxies for an estimated fee not to exceed \$20,500, plus reimbursement of out-of-pocket expenses. Novellus will make arrangements with brokerage houses, custodians, nominees and fiduciaries to forward proxy solicitation materials to beneficial owners of shares held of record by them. Novellus will also reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in forwarding the proxy materials.



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**Adjournments**

Any adjournment of the special meeting may be made from time to time by the Novellus shareholders by the affirmative vote of (i) the holders of a majority of the shares of Novellus common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum) at the special meeting, if a quorum is present or (ii) the holders of a majority of the shares entitled to vote and present in person or represented by proxy at the Novellus special meeting, if a quorum is not present. If necessary or appropriate to solicit additional proxies if there are not sufficient votes to approve the merger, the merger agreement and the principal terms thereof, the special meeting may be adjourned to another time or place without further notice unless the adjournment is for more than 45 days or if after the adjournment a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.



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**THE MERGER**

**Effects of the Merger**

At the effective time of the merger, Merger Sub, a wholly owned subsidiary of Lam Research that was formed for the sole purpose of effecting the merger, will merge with and into Novellus. Novellus will survive the merger and become a wholly owned subsidiary of Lam Research.

At the effective time of the merger, each outstanding share of Novellus common stock (other than (i) shares owned by Lam Research, Merger Sub or any direct or indirect wholly owned subsidiary of Lam Research or Novellus, which will be canceled and cease to exist, and (ii) shares held by Novellus shareholders who voted against the merger and are entitled to and who have properly exercised and not withdrawn a demand for, or lost their right to, dissenters' rights under the CCC, who will have the right to receive the payment described in the section entitled "The Merger Agreement - Dissenters' Rights for Novellus Shareholders" below) will be converted into the right to receive 1.125 shares of Lam Research common stock, with cash paid in lieu of fractional shares plus the amount of any dividends or other distributions with a record date after the date of the merger agreement. This exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the closing of the merger. Lam Research stockholders will continue to hold their existing Lam Research shares, which, after the merger, will represent equity interests in the combined company.

**Background of the Merger**

As part of Novellus' ongoing evaluation of its business, Novellus' board of directors and members of its senior management regularly review and assess opportunities to achieve long-term strategic goals, including potential opportunities for business combinations, acquisitions, dispositions, internal restructurings and other strategic alternatives. Novellus has had conversations in the past with various semiconductor equipment manufacturing companies regarding potential strategic transactions, including potential business combinations.

In the summer of 2010, Lam Research's and Novellus' senior management engaged in informal discussions regarding the possibility of a business combination transaction. These preliminary discussions were terminated when both companies determined not to pursue a business combination transaction at that time.

In 2011, Novellus received proposals for potential strategic transactions from two semiconductor equipment manufacturing companies, Lam Research and another bidder, which we refer to as Party A.

Novellus and Party A have had conversations from time to time regarding a potential business combination, and in July 2011, members of Party A's senior management informed Mr. Hill that Party A was interested in discussing potential strategic transactions with Novellus. Party A's chief executive officer proposed that as a first step the companies organize a general due diligence meeting among the key members of both companies' technology teams to better understand the compatibility of the two companies.

On July 21, 2011, at a regularly scheduled meeting of the Novellus board of directors, Mr. Hill informed the board of the proposal from Party A to discuss potential strategic transactions and the request to have a meeting among the key members of both companies' technology teams. The board discussed whether it was in the Company's best interest to pursue the proposal from Party A, including whether Party A would ultimately propose an acquisition of Novellus on an acceptable basis, whether the timing was appropriate for Novellus to entertain a strategic transaction, and the future prospects for Novellus should it decide instead to remain independent. The board agreed to pursue Party A's proposal to discuss potential strategic transactions and instructed Mr. Hill to schedule further discussions with Party A, including the proposed meeting among the key members of both companies' technology teams. The board also authorized Novellus' management to enter into a nondisclosure agreement with Party A prior to engaging in such discussions.

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Mr. Hill spoke with the chief executive officer of Party A shortly after the July 21 board meeting and scheduled the requested due diligence meeting. On July 26, Party A and Novellus entered into a nondisclosure agreement, and on July 28, key members of the technology teams of each company met.

Following the July 28 meeting, Party A's chief executive officer requested a meeting with Mr. Hill in early September.

Mr. Hill met with the chief executive officer of Party A on September 1 and 2 to discuss the prior meeting between the companies' technology teams. Over the course of this meeting, Party A's chief executive officer informed Mr. Hill that Party A was favorably impressed with Novellus technology, Novellus' level of customer satisfaction in the industry, and the apparent complementary fit between the two companies. Party A's chief executive officer also expressed a desire to have further discussions between the two companies regarding a potential acquisition of Novellus by Party A in an all-cash transaction. Party A's chief executive officer mentioned to Mr. Hill that Party A was generally contemplating potential premiums in the range of 30%-50% of Novellus' most recent closing stock price; however, no specific price, structure, timing or any other terms were proposed. Mr. Hill and Party A's chief executive officer also spent time discussing their alternative views and concerns related to valuation methodologies to be used by the parties in any future discussions. Party A's chief executive officer suggested to Mr. Hill that as a next step the parties' respective financial advisors should discuss potential valuation.

On September 4, the Novellus board of directors met and Mr. Hill provided an update to the board regarding his recent discussions with Party A, including Party A's desire to have further discussions regarding a potential acquisition of Novellus by Party A. The board discussed the meeting between Mr. Hill and the chief executive officer of Party A and potential next steps with Party A. During this discussion, the Novellus board also discussed the need to retain a financial advisor to assist Novellus in furthering discussions with Party A and other potential acquirers of Novellus. After a discussion of various candidates, the board unanimously determined to engage Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofA Merrill Lynch) to act as Novellus' financial advisor based upon BofA Merrill Lynch's overall expertise in mergers and acquisitions, knowledge of the industry in which Novellus operates, and familiarity with Novellus. At the request of the board, Mr. Hill agreed to work on engaging BofA Merrill Lynch, and, as an initial step, to instruct BofA Merrill Lynch to engage in preliminary discussions with Party A's financial advisors. Novellus subsequently executed an engagement letter on October 4 for BofA Merrill Lynch to act as exclusive financial advisor to Novellus.

BofA Merrill Lynch and Party A's financial advisor held a telephonic meeting on September 14. The BofA Merrill Lynch representatives discussed a variety of topics, including an overview of Novellus and its financial profile and Novellus' views of proposed valuation methodologies and potential synergies that could result from a transaction. At the conclusion of the teleconference, Party A's financial advisors indicated that they intended to meet with their client to discuss these topics, and then would respond to BofA Merrill Lynch with their views. Party A's financial advisors also informed BofA Merrill Lynch of the same information that had been communicated by Party A's chief executive officer to Mr. Hill, that Party A was contemplating premiums in the range of 30%-50% of Novellus' most recent closing stock price. Representatives from BofA Merrill Lynch indicated to Party A's financial advisor that if Party A was going to make a proposal to acquire Novellus, the proposal should include specifics on Party A's proposed price, and structure and timing for the proposed transaction.

As a follow up to the September 14th teleconference discussed above, Party A's financial advisor scheduled a meeting with BofA Merrill Lynch to take place on September 28. At the September 28th meeting, Party A's financial advisor informed representatives of BofA Merrill Lynch that while Party A was not prepared to propose a specific purchase price, Party A was contemplating a cash offer for all of the outstanding shares of Novellus at a premium to current market price. Party A's financial advisor also indicated that in order for Party A to make a firm price proposal, it required an additional due diligence meeting with senior management of Novellus and representatives of BofA Merrill Lynch.

Following the September 28 meeting, and in advance of the additional due diligence meeting, which was to be scheduled on October 6 and 7, BofA Merrill Lynch had several conversations with Party A's financial advisor.

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In one conversation, Party A's financial advisor reiterated that Party A was contemplating an all cash transaction with premiums in the range of 30% - 50% over Novellus' most recent closing stock price.

The Novellus board of directors met again on September 29 to discuss the recent meetings with Party A and its financial advisor. Representatives from BofA Merrill Lynch summarized for the board the recent meetings, including Party A's intent to propose an all cash offer and the request for an additional due diligence meeting with senior management of Novellus. The Board asked numerous questions of BofA Merrill Lynch regarding Party A and the transaction it was contemplating, including Party A's ability to pay a premium to Novellus' stock price and to finance a cash acquisition, and the likely timing of any transaction. Representatives from Morrison & Foerster LLP (Morrison & Foerster), Novellus' outside legal counsel, then led the board through a presentation and detailed discussion regarding the board's fiduciary duties in connection with a potential transaction. After further deliberations, the board directed Mr. Hill and senior management to conduct the requested due diligence meeting with Party A, but prior to such meeting to negotiate and enter into a revised nondisclosure agreement with Party A that included a standstill and other strategic transaction related provisions.

Following execution of a revised nondisclosure agreement containing a standstill provision, senior management of Novellus and BofA Merrill Lynch held meetings on October 6 and October 7 with senior management from Party A and Party A's financial advisor to discuss certain financial and business information regarding Novellus. In addition, senior management from Novellus responded to certain follow-up requests for additional data. Shortly after the conclusion of the due diligence meetings, Party A's financial advisor contacted representatives of BofA Merrill Lynch and indicated that Party A was planning on submitting to Novellus in the next several weeks an all cash proposal at a premium to Novellus' current share price.

The Novellus board of directors held regularly scheduled meetings on October 17 and 18. During the October 17 meeting, senior management and representatives from BofA Merrill Lynch updated the board on the prior due diligence meetings with Party A and Party A's financial advisor. Tim Archer, the Novellus chief operating officer, and Mr. Hill presented to the board management's stand alone financial projections which had been presented to Party A, including management's financial projections for the balance of 2011, and calendar years 2012 and 2013. Mr. Archer and Mr. Hill also discussed the process by which they established the projections and the various risks involved in meeting such projections. The board engaged senior management in a discussion regarding the management projections that had been presented and concluded they were comfortable with such projections, recognizing that they were being prepared on an accelerated schedule compared to Novellus' normal financial budgeting and forecasting schedule and thus would potentially be subject to revision later in the year. In addition, representatives from Morrison & Foerster and BofA Merrill Lynch discussed with the board the likelihood that Party A would require exclusivity in connection with its proposal, and discussed the various considerations that the board should be prepared to take into account if Party A did request exclusivity. The board, together with its financial and legal advisors, discussed other potential strategic and financial acquirers of Novellus and concluded that there was a limited group of other logical acquirers, that among such acquirers most were likely not interested, not able to present a competitive offer, or presented significant antitrust barriers to consummating a transaction, and that the most likely alternative to Party A was Lam Research. Following this discussion, representatives from Morrison & Foerster led the board through a presentation and detailed discussion regarding the board's fiduciary duties and litigation issues that accompany public company M&A transactions.

On October 13, senior management of Novellus and Lam Research, including Martin Anstice, Lam Research's then chief operating officer, Mr. Hill, and Mr. Archer, were attending an industry event in Northern California for semiconductor equipment manufacturing companies. A brief discussion occurred at the October 13 event regarding the possibility of the two companies partnering on a project for a mutual customer.

Mr. Anstice and Mr. Hill spoke by phone on October 26 to follow up on the October 13 discussion. During this phone conversation, Mr. Hill advised Mr. Anstice that because Novellus was engaged in preliminary discussions with another company regarding the potential acquisition of Novellus by such company and that such an acquisition could preclude a partnering arrangement between Novellus and Lam Research, Mr. Hill did not think it was an appropriate time to have discussions between Novellus and Lam Research regarding a potential

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partnering arrangement. Neither the identity of the other company (which was Party A) nor the proposed terms of such potential acquisition were disclosed by Mr. Hill to Mr. Anstice. During the October 26 phone conversation, Mr. Anstice informed Mr. Hill that given the circumstances, Lam Research might consider doing more than structuring a potential partnership arrangement with Novellus. Mr. Hill explained to Mr. Anstice that given the status of the discussions Novellus was already engaged in with Party A, Lam Research would need to move quickly if it wanted to pursue a transaction with Novellus. Mr. Anstice suggested that he and Mr. Hill have an in-person meeting on October 31.

On October 24, Party A's financial advisor discussed with BofA Merrill Lynch Party A's desire to arrange a meeting between Mr. Hill and the chief executive officer of Party A. On October 27 and 28, the chief executive officer of Party A and Mr. Hill exchanged messages regarding the status of Party A's proposal which had not yet been delivered, and the chief executive officer of Party A requested an in-person meeting with Mr. Hill on October 31.

On October 28, Mr. Hill informed the Novellus board of directors of the recent discussions with Party A's chief executive officer and with Mr. Anstice, including the request by each of Party A's chief executive officer and Mr. Anstice to meet with Mr. Hill in person on October 31.

Mr. Hill and the chief executive officer of Party A met in person on the morning of October 31 to discuss the status of Party A's proposal which had not yet been delivered. Party A's chief executive officer reaffirmed Party A's interest in ultimately acquiring Novellus, but proposed that Novellus and Party A explore other strategic alternatives in the near term that could ultimately lead to an acquisition of Novellus by Party A. Mr. Hill and Party A continued to have on-going discussions regarding an outright acquisition of Novellus as well as alternative transactions during early November.

Mr. Hill met with Mr. Anstice in the afternoon of October 31. During this meeting, Mr. Anstice indicated that Lam Research was having a regularly scheduled board meeting on November 3 and 4 and that the Lam Research board was going to discuss at that meeting the possibility of an acquisition of Novellus by Lam Research.

Later in the day on October 31, Mr. Hill briefed the Novellus board of directors on his separate meetings with Party A's chief executive officer and with Mr. Anstice.

On November 3 and 4, 2011, Lam Research's board held a regularly-scheduled meeting. Members of Lam Research's management team were also in attendance. At the meeting on November 4, as part of a review and discussion of Lam Research's strategic plans, Mr. Anstice briefed the board on his discussions with Mr. Hill. The board authorized Lam Research's management to continue to engage in preliminary discussions with Novellus, to enter into a nondisclosure agreement with Novellus, and to proceed with due diligence of Novellus.

After the November 4 Lam Research board meeting, Mr. Anstice and Mr. Hill discussed entering into a nondisclosure agreement and organizing due diligence meetings to enable Lam Research to better gauge its interest in potentially acquiring Novellus. Mr. Hill informed each of the members of the Novellus board regarding his discussions with Lam Research and received approval from members of the board to enter into a nondisclosure agreement and hold the due diligence meetings.

Novellus and Lam Research entered into a nondisclosure agreement on November 10 that included a standstill provision. On the same day, senior management of Novellus and representatives of BofA Merrill Lynch met with senior management of Lam Research and representatives of Goldman, Sachs & Co. (Goldman Sachs), Lam Research's financial advisor, to present to them largely the same diligence information previously provided to Party A, covering Novellus' products and technology, market and competition, organizational structure and financial profile.

Mr. Hill received a telephone call from Mr. Anstice on November 11 in which Mr. Anstice informed him that Lam Research was interested in continuing the due diligence process. Mr. Anstice asked that Mr. Hill

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explain Novellus' proposed process going forward and requested that Lam Research be given sufficient time to conduct diligence and develop its proposal since he was aware that Novellus was engaged in discussions with another party. During the call, Mr. Hill expressed to Mr. Anstice Novellus' preliminary expectations regarding pricing and structuring of a potential transaction.

The Novellus board of directors met again on November 13. During the meeting, Mr. Hill and senior management for Novellus summarized for the board the recent meetings and discussions with Lam Research, including the call between Mr. Hill and Mr. Anstice on November 11, and the prior conversations between Mr. Hill and the chief executive officer of Party A. The board discussed these prior meetings and the desire to continue to engage with each of Party A and Lam Research. Representatives from BofA Merrill Lynch explained to the board that, at management's direction, BofA Merrill Lynch had informed Party A's and Lam Research's financial advisors of Novellus' desire to receive indications of interest from each of their clients, and that Novellus was prepared to move expeditiously to evaluate the proposals. BofA Merrill Lynch subsequently delivered formal process letters on behalf of Novellus to the financial advisors for Party A and Lam Research, inviting their clients to submit indications of interest on or before 5:00 pm Pacific time on Friday, November 25, 2011.

On November 14, Mr. Anstice and Mr. Archer had a dinner meeting at which due diligence was discussed.

On November 15 and November 17, 2011, at the request of Lam Research, senior management for Novellus and representatives from BofA Merrill Lynch had multiple meetings with senior management of Lam Research and Goldman Sachs to discuss a variety of due diligence matters, including Novellus' financial statements, research and development, accounting and controls, Novellus' products and technology, market and competition, organizational structure, financial profile and tax structure. During the same period, BofA Merrill Lynch had several conversations with the financial advisor for Party A regarding status and due diligence matters.

On November 22, Lam Research's board held a special meeting. Members of Lam Research's management team and representatives of Jones Day, Lam Research's outside legal counsel, were also in attendance. At that meeting, management reviewed with the board the principal terms of the proposed engagement of Goldman Sachs as financial advisor for a potential transaction with Novellus, and after discussion the board approved Goldman Sachs' engagement. Representatives of Goldman Sachs then joined the meeting. Management then provided the board with information relevant to a possible business combination transaction with Novellus, including a review of Lam Research's strategic plans and the basis for considering such a transaction in light of those plans, assessments of Novellus' products, technology, financial position and forecasts, potential synergies from such a transaction, and a summary of the preliminary due diligence investigation conducted by Lam Research's management. This discussion, and the discussion that followed in subsequent meetings of the Lam Research board, included certain of the items noted below in Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors. Goldman Sachs updated the board on discussions with Novellus and reviewed and discussed potential structures for a business combination transaction. After discussion, the board authorized management to deliver a nonbinding proposal regarding a business combination transaction to Novellus, within defined parameters.

In response to the process letters that had previously been delivered, Novellus received non-binding indications of interest from Party A on November 21 and from Goldman Sachs, on behalf of Lam Research, on November 25. Party A's non-binding indication of interest contemplated an initial substantial cash minority investment in Novellus coupled with a strategic collaboration and, as orally communicated by Party A's financial advisor, a potential subsequent second-step acquisition of the remaining outstanding shares of Novellus. Party A's proposal, however, lacked specificity around various key terms, including price and timing. Lam Research's non-binding indication of interest proposed a stock-for-stock merger for 100% of the common stock of Novellus at a fixed exchange ratio of 1.1 shares of Lam Research common stock for each outstanding share of Novellus' common stock, which translated into an approximate 40% ownership interest by Novellus' shareholders of the combined company following the proposed merger, and implied an indicative price of \$40.44 per Novellus share

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based on the closing price of Lam Research's shares on November 25, 2011 (the closing stock price on the last trading day preceding the indication of interest). Lam Research's indication of interest also proposed that upon closing of the transaction (i) three individuals nominated by Novellus (and approved by Lam Research) would be appointed to Lam Research's board of directors, (ii) Mr. Archer would be appointed as the chief operating officer of Lam Research, (iii) all of Novellus' outstanding equity awards would be assumed by Lam Research, and (iv) Lam Research would repurchase approximately \$1.5 billion of its outstanding shares within 12 to 18 months following the closing of the proposed merger. Lam Research's proposal also included a draft exclusivity agreement, and required Novellus to enter into exclusivity for a period of 30 days if Novellus wished to continue discussing a potential transaction with Lam Research.

The Novellus board of directors met again on November 27 to discuss the non-binding indications of interest received from each of Party A and Lam Research. At the outset of the meeting, representatives from Morrison & Foerster provided the board with an overview of their fiduciary duties in assessing any potential transaction. Representatives from BofA Merrill Lynch summarized the recent conversations they had with the financial advisors for each of Party A and Lam Research and discussed with the board an overview of the non-binding indications of interest that had been submitted by each of Party A and Lam Research and related preliminary financial analyses. The board then deliberated and asked BofA Merrill Lynch numerous questions regarding its preliminary financial analyses.

During its deliberations, the Novellus board also asked the representatives of Morrison & Foerster numerous questions regarding the indications of interest from both Party A and Lam Research, including the potential risks involved with the need for Lam Research's stockholders to approve the transaction that Lam Research was proposing and the need in both proposed transactions to obtain antitrust approval in a number of jurisdictions.

The Novellus board and representatives from BofA Merrill Lynch also discussed the prospect of Novellus continuing on a standalone basis (and the risks associated therewith), the identity of other potential acquirers and their likely relative interest in engaging in a transaction with Novellus, as well as the possibility of losing both Party A and Lam Research as potential acquirers if either were to discover that Novellus was expanding the process to engage in conversations with other potential acquirers. The board also expressed its concerns regarding confidentiality and the negative impact that news leaking about Novellus engaging in discussions with potential acquirers could have on its business. In weighing this balance, the board determined not to approach other potential suitors as the risk of affecting a potential deal with Lam Research or Party A and negatively impacting Novellus' business, including the potential negative effect on its customers, suppliers and distributors, outweighed the possibility that any of these alternative suitors would present a superior proposal to Novellus.

The Novellus board then deliberated on potential responses to each of Party A and Lam Research. The board expressed a desire to receive from Party A a more detailed proposal. The board also instructed BofA Merrill Lynch to go back to Goldman Sachs, and Mr. Hill to go back to Mr. Anstice, and request that Lam Research agree to (i) increase the exchange ratio to 1.25x (which implied an indicative price of \$45.95 per Novellus share based on the closing price of Lam Research's shares on November 25, 2011 (the closing stock price on the last trading day preceding the indication of interest)), (ii) four seats on the Lam Research board of directors for Novellus appointees, and (iii) a fiduciary out in the definitive merger agreement allowing the Novellus board of directors to terminate the agreement with Lam Research if Novellus received a superior proposal from another potential acquirer. The board also instructed BofA Merrill Lynch and Mr. Hill to inform Lam Research that it would consider a 15-day exclusivity period.

On November 27, representatives from BofA Merrill Lynch, at the direction of the Novellus board, contacted the financial advisors for each of Party A and Lam Research with feedback from the Novellus board meeting, and requested that each of Party A and Lam Research submit revised indications of interest reflecting the Novellus board of directors' requested terms. At the same time, Mr. Hill contacted Mr. Anstice and delivered the same feedback. Representatives from BofA Merrill Lynch had conversations with the financial advisors for each of Party A and Lam Research throughout the remainder of November 27.

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Novellus received a revised non-binding indication of interest from Lam Research on November 29 and from Party A on November 30.

Lam Research's revised non-binding indication of interest proposed an increased fixed exchange ratio of 1.125 shares of Lam Research common stock for each outstanding share of Novellus common stock, which translated to an approximate 41% ownership interest by Novellus shareholders of the combined company following the proposed merger and implied an indicative price of \$45.87 per Novellus share based on the closing price of Lam Research shares on November 30, 2011 (the date of the most recent closing price prior to the Novellus board meeting where the Lam Research revised indication of interest was reviewed). In addition, Lam Research's revised indication of interest accepted the other terms requested by Novellus, principally that (i) four mutually agreeable members would be appointed to Lam Research's board of directors, and (ii) Novellus would be afforded a fiduciary out in the merger agreement, which would be mutual such that Lam Research would have the same fiduciary out as Novellus. The revised indication of interest also reconfirmed the other terms included in Lam Research's original indication of interest which the Novellus board had accepted. Lam Research's proposal also required that Novellus immediately enter into exclusive discussions with Lam Research.

Party A's revised non-binding indication of interest was generally consistent with its earlier proposal contemplating an initial minority strategic investment and collaboration and, as orally communicated by Party A's financial advisor, to potentially be followed by a subsequent second-step acquisition of the remaining outstanding shares of Novellus. Party A's revised proposal provided more specificity around the terms of the minority investment. Specifically, Party A's revised non-binding indication of interest proposed a purchase of new Novellus shares directly from Novellus in an amount equal to 19.9% of Novellus' then outstanding common stock at a price per share that was less than the price per share implied by Lam Research's proposed exchange ratio based on the closing price of Lam Research shares of common stock on the date of Party A's revised non-binding indication of interest. Party A's revised non-binding indication of interest also specified that in the event that a third party were to acquire Novellus or its assets within two years of the date of Party A's minority investment, Party A would be entitled to receive a make-whole payment entitling Party A to the consideration that Party A would have been entitled to receive if Party A had received, at closing of its 19.9% investment, that number of shares of Novellus common stock equal to the aggregate amount of Party A's investment divided by the closing price per share of Novellus common stock as of the date of Party A's proposed minority investment.

Party A's revised non-binding indication of interest, however, remained more conditional than Lam Research's revised non-binding indication of interest, in that Party A's proposal, among other things, did not commit Party A to purchase any additional shares of Novellus beyond the proposed 19.9% investment. Unlike Lam Research's proposal to acquire 100% of Novellus' outstanding common stock by way of a stock-for-stock merger, Party A's revised indication of interest failed to include any commitment (or even a proposal) to purchase any outstanding shares of Novellus' common stock (by way of a potential second step transaction or otherwise), providing no assurance that Party A was prepared to purchase any additional shares beyond the initial 19.9% minority investment that was to be purchased directly from Novellus. In addition, Party A's proposal was conditioned on the concurrent successful negotiation of a strategic business partnership, the parameters of which were not specified in Party A's revised proposal, and the negotiation of which would add significant time and uncertainty.

The Novellus board of directors met on November 30 to discuss the revised non-binding indications of interest received from each of Party A and Lam Research. Representatives from BofA Merrill Lynch summarized the recent conversations that they had with the financial advisors for each of Party A and Lam Research and discussed with the board an overview of the revised non-binding indications of interest that had been submitted by each of Party A and Lam Research and a preliminary financial analysis. The board then discussed each of Party A's and Lam Research's revised non-binding indications of interest and asked a variety of questions regarding their terms.

Mr. Hill then discussed Novellus' prospects for continuing on a standalone basis, summarizing management's projections for the 2012-2013 time period, the set of assumptions that management had

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considered in preparing the projections, and the risks associated with meeting such projections, all of which had previously been provided to the board and discussed in prior board meetings. The Novellus board discussed each of Party A's and Lam Research's proposals, noting in particular that with the Lam Research proposal, because it contemplated a combination of Lam Research and Novellus in a stock-for-stock merger, the risks associated with Novellus' continuation as a standalone company would likely be reduced for a variety of reasons, including that the combination with Lam Research offers a much broader and diverse platform from which to operate, that Novellus shareholders would benefit from this reduction in risk and would be able to participate in the ownership of the combined company going forward, as well as the accretive effects from a \$1.5 billion share repurchase.

The Novellus board then deliberated over the two indications of interest as well as the prospect of continuing on a standalone basis and discussed with Mr. Hill and representatives of BofA Merrill Lynch the merits of pushing for an improved exchange ratio.

The Novellus board then deliberated with each member of the board expressing their views on Party A's proposal, the Lam Research proposal and continuing as a standalone company. During these deliberations, the board considered a variety of reasons why doing a transaction with Lam Research was preferable to the other two alternatives, including among others, certain of the factors summarized below in Novellus' Reasons for the Merger; Recommendation of the Novellus Board of Directors. Factors considered by the Novellus board in deciding to pursue the Lam Research proposal, rather than the other alternatives, included that:

the Lam Research proposal contemplated an acquisition of 100% of Novellus' outstanding common stock at an attractive premium, unlike the minority investment proposed by Party A;

as of the date of Lam Research's revised indication of interest, the exchange ratio represented a 39% premium to the 30-day average, 45% premium to the 60-day average, 50% premium to the 180-day average and 54% to the 12 month average closing exchange ratios for Novellus and Lam Research share prices and implied a Novellus share price of \$46.96, \$45.71, \$49.15 and \$51.90 per share based the 30-day average, 60-day average, 180-day average and 12 month average, respectively, of Lam Research's stock price as of November 30, 2011;

the proposed exchange ratio translates to an approximate 41% ownership interest by Novellus shareholders of the combined company following the merger, even though it is estimated that Novellus will be contributing much less than 41% of the pro forma revenue, pro forma EBITDA and pro forma net income to the combined company;

the proposed consideration is a fixed ratio of Lam Research common stock which would not fluctuate as a result of changes in the price of Novellus common stock or Lam Research common stock;

because Lam Research proposed a stock-for-stock merger, Novellus shareholders would own shares in the combined company and share in any synergies and participate in any future appreciation of Lam Research common stock following the consummation of the merger, benefits that would not have been available to Novellus shareholders if the board elected to continue as a standalone company; and

the Novellus board of directors would have a fiduciary out in the merger agreement giving it the ability to terminate the merger agreement in favor of a superior proposal.

After concluding that Lam Research's proposed exchange ratio and the other items proposed by Lam Research (including the structure of the transaction, the form of consideration, and the proposed benefits for Novellus shareholders) in its revised indication of interest were favorable, as discussed above, the Novellus board unanimously determined that it would authorize management and its advisors to enter into exclusive discussions with Lam Research for a 15-day period to permit Lam Research to conclude its due diligence on Novellus, to enable Novellus to continue and complete its due diligence on Lam Research and to negotiate the terms of a merger agreement. The board then directed representatives from Morrison & Foerster and BofA Merrill Lynch to engage with Lam Research's legal counsel and its financial advisor to negotiate and finalize the terms of the exclusivity agreement, to distribute the draft of the merger agreement that Morrison & Foerster had previously prepared and to continue due diligence and negotiations.





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On November 30, representatives from Morrison & Foerster distributed to Lam Research's legal advisor, Jones Day, a marked draft of the exclusivity agreement that Lam Research had previously provided to Novellus as well as a draft of the merger agreement and an initial due diligence request list to facilitate Novellus' reverse due diligence of Lam Research. Representatives from Morrison & Foerster and Jones Day finalized the terms of the 15-day exclusivity agreement the next day and each of Novellus and Lam Research executed the exclusivity agreement. Novellus and Lam Research and their respective legal and financial advisors held a teleconference on December 1 to schedule meetings and discuss logistics for each party's due diligence efforts. Novellus opened an electronic data room on December 1 and Lam Research opened its electronic data room on December 4.

From December 1 through December 13, Novellus and Lam Research and their respective legal and financial advisors continued and completed their due diligence investigations of the other party which had commenced prior to the opening of each party's electronic data room and held discussions regarding the proposed merger agreement. The ongoing due diligence investigations included extensive document review and multiple in-person diligence meetings and calls among key business team members from each of Novellus and Lam Research and their respective legal, accounting and financial advisors.

With Lam Research and Novellus having previously agreed to proceed based on the proposed exchange ratio contained in the preliminary indication of interest dated November 29, on December 5, James Bagley, Lam Research's chairman of the board, and Mr. Hill had a meeting at which Mr. Hill's existing compensation and severance benefits with Novellus were discussed.

On December 5, Lam Research's board held a special telephonic meeting. Members of Lam Research's management team and representatives of Goldman Sachs and Jones Day were also in attendance. At that meeting, management discussed with the board the status of negotiations with Novellus, the status and key provisions of the proposed merger agreement, Lam Research's due diligence review of Novellus, and draft plans for communications regarding the proposed merger.

Based on discussions with Lam Research's management and Goldman Sachs, Jones Day distributed a revised draft of the merger agreement to representatives of Morrison & Foerster on December 5. Thereafter, representatives of Morrison & Foerster reviewed the revised draft of the merger agreement and discussed the proposed revisions with members of Novellus senior management team and representatives of BofA Merrill Lynch, and prepared a revised draft of the merger agreement. Representatives from Morrison & Foerster met with representatives from Jones Day on December 6 to discuss the material issues arising from Jones Day's revisions to the merger agreement and on December 8 representatives from Morrison & Foerster distributed a revised draft of the merger agreement to representatives of Jones Day. On December 6, Mr. Anstice and Mr. Archer had a dinner meeting at which the transaction was discussed.

Mr. Archer and Mr. Hill retained Manatt, Phelps & Phillips, LLP (Manatt Phelps) as independent legal counsel to assist them in discussions regarding their potential post-closing roles and related compensation arrangements. On December 8 and 9, Mr. Bagley, Stephen Newberry, then chief executive officer of Lam Research, and Grant Inman, the chair of Lam Research's compensation committee, had meetings with Mr. Archer to discuss Mr. Archer's anticipated role as the chief operating officer of the combined company following the merger. Also on December 8, Mr. Bagley met with Mr. Hill to discuss the advantages of combining Lam Research and Novellus, Mr. Hill's potential role with the combined company, his potential compensation arrangements with the combined company, and due diligence matters.

On December 9, Mr. Archer and Mr. Anstice met and discussed compensation arrangements for Mr. Archer in connection with his proposed appointment as the chief operating officer of Lam Research following the closing of the merger. On December 10, Mr. Archer and Mr. Anstice continued to discuss the principal terms of Mr. Archer's compensation and aligned on the principal terms of Mr. Archer's compensation arrangements, subject to the approval of Lam Research's compensation committee, to become effective upon his proposed appointment as the chief operating officer of Lam Research following the closing of the merger.

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On December 9, representatives from Morrison & Foerster met with representatives from Jones Day to discuss Morrison & Foerster's revisions to the merger agreement.

The Novellus board of directors met again on December 9 to discuss the status of Novellus' due diligence review of Lam Research and the negotiations on the merger agreement. Key members of Novellus' senior management, as well as Novellus' outside advisors, including external accounting and tax advisors, summarized for the Novellus board the status of Novellus' due diligence review of Lam Research to date and their findings. In addition, representatives from Morrison & Foerster summarized for the Novellus board certain provisions of the merger agreement, as well as the meetings and negotiations that had taken place over the prior week with Lam Research and their legal counsel. The Morrison & Foerster representatives highlighted certain issues that remained open in the draft merger agreement, including (i) Lam Research's request to have Mr. Hill execute a voting agreement to support the transaction, (ii) the size of the termination fee, (iii) certain antitrust provisions, (iv) treatment of certain interim operating covenants, (v) conditions to closing, (vi) various termination rights, including if a certain number of Novellus' shareholders dissented in the transaction, (vii) certain termination events that would result in the payment of a termination fee, and (viii) certain open compensation issues. Following a discussion of these issues, the meeting adjourned.

On December 10, Lam Research's board held a special meeting. Members of Lam Research's management team and representatives of Goldman Sachs and Jones Day were also in attendance. At that meeting, Lam Research's management discussed with Lam Research's board the status of negotiations with Novellus, Lam Research's due diligence review of Novellus, the status and key provisions of the proposed merger agreement, and the proposed stock repurchase program. The board discussed the results of the diligence process and the degree to which it supported the assumptions of management underlying the rationale for pursuing the merger, including discussions about certain of the factors referred to below in Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors. Goldman Sachs then reviewed with the Lam Research board its preliminary financial analysis of the transaction. Their presentation included a detailed review of the types of financial analyses that would subsequently be employed by them to evaluate the fairness of the proposed exchange ratio and the information and assumptions that underlay those financial analyses, including discussion of historical and projected financial metrics, as well as review of both street and management projections that would be employed to evaluate the proposed ratio. Members of the board discussed Goldman Sachs analysis.

Representatives of Morrison & Foerster received from representatives of Jones Day a revised draft of the merger agreement on December 10 that addressed a number of the open issues in the agreement.

On December 10 and on December 11, Mr. Bagley and Mr. Hill met to discuss outstanding employee-related matters, including Mr. Hill's potential role with the combined company after the merger, and related compensation issues.

The Novellus board of directors met again on December 11 to discuss the transaction and the status of negotiations. Representatives from BofA Merrill Lynch updated the Novellus board on the status of their on-going discussions with Lam Research's financial advisor. In addition, representatives from Morrison & Foerster summarized for the board the meetings and negotiations that had taken place since the board meeting on December 9, various provisions of the merger agreement, and various employee-related matters that remained outstanding, in part because discussion of employee-related matters had been deferred until after the parties had agreed on the proposed exchange ratio. The representatives from Morrison & Foerster also advised the board on their fiduciary duties, particularly as they related to the board's assessment of the remaining employee-related matters. Without any executives of Novellus present, the board discussed the outstanding employee-related issues. The board confirmed that Mr. Hill had the support of the board to negotiate his potential post-closing roles and related compensation arrangement with Lam Research. In addition, the board clarified the treatment of certain outstanding performance-based equity awards (none of which any member of the board held). The board then informed Mr. Hill of their determinations, discussed next steps for finalizing negotiations with Lam Research and the timing for the next board meeting.

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Following the December 11 Novellus board meeting, representatives from Morrison & Foerster contacted representatives from Jones Day to inform them of the actions taken at the board meeting and to discuss next steps to finalize the definitive agreements by December 14.

On December 12, Lam Research's board held a special meeting. Members of Lam Research's management team and representatives of Goldman Sachs and Jones Day were also in attendance. At that meeting, management discussed with the board an update of their due diligence review and the status and key provisions of the proposed merger agreement. These discussions included certain of the considerations noted below in Lam's Reasons for the Merger; Recommendation of the Lam Research Board of Directors. Management also reviewed with the board the status of planned communications in connection with the announcement of the transaction. Based on their understanding that Novellus' board had authorized Mr. Hill to have discussions with Lam Research regarding his relationship with the combined company following the merger, the board reviewed the terms on which a consulting agreement would be negotiated with Mr. Hill and authorized management to negotiate the agreement.

Throughout December 12 and December 13, representatives of Morrison & Foerster and Jones Day engaged in extensive negotiations regarding the remaining open issues in the merger agreement. Discussions also occurred on those days between representatives from Jones Day and Manatt Phelps relating to Mr. Hill's proposed consulting arrangement with Lam Research.

On December 12, the compensation committee of Lam Research's board held a special telephonic meeting. Members of Lam Research's management team and representatives of Compensia, Lam Research's compensation consultant, and Jones Day were also in attendance. At that meeting, the committee discussed and approved the principal terms of a compensation package for Mr. Archer in connection with his anticipated role as the chief operating officer of the combined company after the merger.

On December 12, Mr. Bagley and Mr. Hill met to discuss Mr. Hill's potential post-closing role and related compensation arrangements.

On December 13, the remaining significant issues in the merger agreement were resolved, and representatives from Morrison & Foerster and Jones Day worked together to finalize the definitive agreement. Also on December 13, representatives from Jones Day and Manatt Phelps resolved the principal terms upon which Mr. Hill would consult with Lam Research after the closing of the merger.

On December 14, Lam Research's board held a special telephonic meeting. Members of Lam Research's management team and representatives of Goldman Sachs and Jones Day were also in attendance. At that meeting, management discussed with the board the status of negotiations with Novellus, the terms of the proposed merger agreement, a proposal to increase the size of the proposed stock repurchase program to \$1.6 billion, and the terms upon which a consulting agreement would be negotiated with Mr. Hill. Following discussion of these matters, Goldman Sachs made a presentation to Lam Research's board with respect to its financial analysis of the transaction and rendered to Lam Research's board an oral opinion, which was confirmed by delivery of a written opinion dated December 14, 2011, to the effect that, as of that date and based on and subject to the factors and assumptions set forth in the opinion, the exchange ratio reflected in the draft merger agreement was fair, from a financial point of view, to Lam Research. The full text of the written opinion of Goldman Sachs, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C.

Following the review and discussion described above, and based upon the deliberations regarding the transaction at the meetings of November 3 and 4, November 22, December 5, December 10, December 12 and December 14 (and in recognition of the factors noted below in Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors), and after receipt of the fairness opinion of Goldman Sachs, Lam Research's board then (i) approved the merger agreement and the transactions contemplated thereby

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including the merger, the voting agreement and the issuance of common stock to Novellus shareholders as contemplated by the merger agreement; (ii) found and declared that the merger was fair and advisable to, and in the best interests of, Lam Research and its stockholders; (iii) authorized Lam Research's management to submit to a vote of Lam Research's stockholders the issuance of Lam Research common stock to Novellus shareholders as contemplated by the merger agreement; and (iv) authorized the stock repurchase program in the amount of up to \$1.6 billion.

The Novellus board of directors met on December 14, 2011 to consider the approval of the merger with Lam Research. Representatives from Morrison & Foerster provided the board with an overview of the board's fiduciary duties in the context of the transaction being considered, as well as a summary of the process managed by the Novellus board in connection with the consideration of potential strategic alternatives, including a possible transaction with Lam Research or Party A. Representatives from Morrison & Foerster also discussed with the board the material terms of the merger agreement, including the proposed resolution of each of the outstanding issues that had been previously reported to the board. Also at this meeting, BofA Merrill Lynch reviewed with Novellus' board of directors its financial analysis of the exchange ratio and delivered to Novellus' board of directors an oral opinion, which was confirmed by delivery of a written opinion dated December 14, 2011, to the effect that, as of that date and based on and subject to various assumptions and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Novellus common stock. The full text of the written opinion of BofA Merrill Lynch, dated December 14, 2011, which sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D.

In recognition of the factors described below in Novellus' Reasons for the Merger; Recommendation of the Novellus Board of Directors, the Novellus board of directors unanimously (i) determined that the merger is fair to and in the best interests Novellus and its shareholders, (ii) declared the merger agreement and the transactions contemplated thereby advisable, (iii) approved the merger with Lam Research and the merger agreement (and the forms of exhibits thereto) and the transactions contemplated thereby and (iv) resolved to recommend approval of the merger agreement, the merger, the principal terms thereof and the transactions contemplated thereby to Novellus' shareholders.

Representatives of Lam Research and Novellus finalized, executed and delivered the definitive merger agreement and related documents shortly following the adjournment of the Novellus board of directors meeting and jointly announced the merger on the afternoon of December 14, 2011.

In addition to the agreements described above, Lam Research and Novellus are currently party to a non-disclosure agreement effective as of February 1, 2011 and an agreement permitting mutual disclosure under confidentiality agreements with a third party effective October 13, 2011, each concerning a development project for a joint customer. No work has been done under either agreement.

**Novellus' Reasons for the Merger; Recommendation of the Novellus Board of Directors**

In approving the merger and merger agreement and recommending their approval by Novellus shareholders, Novellus' board of directors considered a number of factors and a substantial amount of information reviewed and discussed with Novellus' management and legal and financial advisors. The following discussion of the information and factors considered by Novellus' board of directors in reaching its conclusions and recommendation includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, Novellus' board of directors did not find it practicable, and did not attempt, to quantify, rank or assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger agreement and to recommend that Novellus shareholders vote in favor of the proposal to approve the merger, the merger agreement and the principal terms thereof. The Novellus board of directors conducted an overall analysis that included consideration of the factors described below, including

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through discussions with, and questioning of, Novellus management and outside legal and financial advisors regarding certain of the matters described below. In considering the factors described below, individual members of the Novellus board of directors may have given differing weights to different factors.

The principal factors that the Novellus board believes support its approval and recommendation of the merger with Lam Research are:

***Favorable Contribution Ratio:*** Based on the various contribution analyses assessed, it is estimated that Novellus will be contributing much less than 41% of the pro forma revenue, pro forma EBITDA and pro forma net income to the combined company, yet Novellus shareholders will own approximately 41% of the combined company after the closing of the merger, specifically:

using public estimates, Novellus is estimated to be contributing an average of approximately 28.5% of the pro forma revenue, 32.4% of the pro forma EBITDA and 35.6% of the pro forma net income to the combined company over the three years ended December 31, 2013; and

using management estimates, Novellus is estimated to be contributing an average of approximately 30.1% of the pro forma revenue, 33.9% of the pro forma EBITDA and 38.4% of the pro forma net income to the combined company over the three years ended December 31, 2013.

***Premium over historical share price and exchange ratio.*** Based on the closing price of Lam Research's stock on December 14, 2011, the transaction values Novellus at a price of \$44.42 per common share, which represents a premium over historical prices and exchange ratios of approximately:

28%, based on the closing price of Novellus common stock on December 14, 2011 (the last closing price prior to the announcement of the merger); and

35.1%, 42.4%, 48.1%, 52.5%, 62.3% and 75.0%, based on the average of the closing price of Novellus common stock over Lam Research's common stock for the 30-day, 60-day, 180-day, one year, two year and five year periods preceding December 12, 2011.

***Fixed Exchange Ratio.*** The merger consideration is a fixed exchange ratio which will not fluctuate as a result of changes in the price of Novellus common stock or Lam Research common stock prior to the merger.

***Participation in Future Appreciation.*** The merger consideration will be paid in shares of Lam Research common stock, which will provide Novellus shareholders with ownership of approximately 41% of the combined company after the closing of the merger. This will enable Novellus shareholders to share in any synergies and participate in any future appreciation of Lam Research common stock following the consummation of the merger, whether from future growth in earnings or as a result of any premium paid to Lam Research stockholders in connection with a future acquisition of Lam Research.

***Revenue growth synergies.*** The companies believe that the combination creates the opportunity to grow revenues at a faster rate due to:

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Technical benefits from adjacent technologies;

Collective development of next generation tools; and

Leveraging complementary customer relationships to expand sales.

***Cost-reduction synergies.*** The companies expect to realize cost synergies through this transaction of approximately \$100 million on an annualized basis by the fourth quarter of 2013. It is expected that these synergies will be achieved by:

Realigning combined research and development and selling, general and administrative expenses to improve operational efficiency;

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Streamlining supply chains and costs of goods sold to achieve synergies; and

Realizing benefits from the complementary business model strengths of Lam Research and Novellus.

**Strategic Considerations.** The Novellus board of directors believes that the merger will provide a number of strategic opportunities for the combined company, including the combined company's:

Ability to deliver solutions neither could offer independently;

Increased scale enabling even more comprehensive support capabilities tailored to customers' needs;

Technical abilities to support rapid development of leading-edge process solutions;

Ability to efficiently and effectively develop solutions for next-generation technology, especially tools for 450mm wafers; and

Management depth and breadth.

**Accretive to EPS.** The transaction, including the planned stock buyback, is expected to be accretive to EPS on a non-GAAP basis within 12 months of closing.

**Strong Balance Sheet and Accretive Share Repurchase.** The combined company will have a strong balance sheet to pursue strategic plans and enable a significant share repurchase after close that is expected to be accretive to EPS. As of September 30, 2011, the companies had approximately \$3.1 billion gross cash and investments and approximately \$1.7 billion debt on a combined basis.

**Improved Liquidity.** The merger is expected to result in improved liquidity for Novellus shareholders as a result of the increased equity capitalization and the increased stockholder base of the combined company.

**Tax-Free Transaction.** The merger is expected to qualify as a tax-free transaction to Novellus shareholders for U.S. federal income tax purposes.

**Strategic Alternatives.** After reviewing possible alternatives to the proposed merger with Lam Research, including Party A's proposal, continuing to operate Novellus as an independent company or seeking a business combination with another company, the Novellus board of directors believes that another party would be unlikely to have the motivation or ability to offer a superior transaction, or would confront significant antitrust barriers in attempting to acquire Novellus. In particular, in considering Party A's proposal for a minority investment, and determining that the minority investment was less attractive than Lam Research's proposal to acquire 100% of Novellus' outstanding common stock by way of a stock-for-stock merger, the Novellus board noted: (i) that as Party A was only proposing to purchase shares directly from Novellus, Novellus shareholders would not have an opportunity to sell shares in the transaction; (ii) the price per share proposed by Party A was less than the price per share implied by Lam Research's proposed exchange ratio, and Party A would have a make whole right



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giving it additional consideration if Novellus were acquired within two years of Party A's investment; (iii) Party A's proposal failed to include any commitment (or even a proposal) to purchase any outstanding shares of Novellus' common stock (by way of a potential second step transaction or otherwise), providing no comfort that Party A would purchase any additional shares beyond the initial 19.9% stake; and (iv) Party A's proposal failed to include any specific terms regarding the proposed business collaboration.

***Superior Proposals.*** The Novellus board of directors has the ability to change its recommendation in favor of the merger upon receipt of a superior proposal, if failure to take such action would be reasonably likely to constitute a breach of the directors' fiduciary duties under applicable law and

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after compliance with the requirements set forth in the merger agreement. The Novellus board of directors believes that the termination fee, equal to approximately 3.4% of the equity value of the transaction, is reasonable and will not unduly impede the ability of a third party to make a superior proposal.

***Opinion of Financial Advisor.*** The opinion of BofA Merrill Lynch, dated December 14, 2011, to Novellus board of directors as to the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio to the holders of Novellus common stock, as more fully described below in the section entitled **Opinion of Novellus Financial Advisor.**

***Familiarity with Businesses.*** The Novellus board of directors considered its knowledge of the business, operations, financial condition, earnings and prospects of both Novellus and Lam Research, taking into account the results of Novellus due diligence review of Lam Research, as well as its knowledge of the current and prospective environment in which Novellus and Lam Research operate, including general economic and market conditions and the more specific conditions of the semiconductor and semiconductor equipment businesses.

***High Likelihood of Consummation.*** The Novellus board of directors deems it highly likely that the merger will be completed in a timely manner given the commitment of both parties to complete the business combination pursuant to their respective obligations under the merger agreement, the absence of any significant closing conditions under the merger agreement, other than the approvals by the holders of Novellus and Lam Research's common stock and the absence of a certain threshold of dissenting Novellus shareholders as provided in the merger agreement.

The Novellus board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

the fact that the merger consideration is a fixed exchange ratio which will not fluctuate as a result of changes in the price of Novellus common stock or Lam Research common stock prior to the merger, which means that the value of the merger consideration could decrease prior to the closing of the merger if the trading price of Lam Research common stock decreases;

the obligation to pay to Lam Research a termination fee of (i) \$80 million if the merger agreement is terminated due to a breach of the non-solicitation provisions in the merger agreement, or (ii) \$120 million if the merger agreement is terminated under certain other circumstances as provided in the merger agreement;

the possibility that the merger may not be completed, or that completion may be unduly delayed, for reasons including the failure of Novellus shareholders to approve the merger or the merger agreement or the failure of Lam Research stockholders to approve the issuance of shares of Lam Research common stock in connection with the merger, or the existence of dissenting Novellus shareholders exceeding the thresholds provided in the merger agreement, or for other reasons beyond the control of Novellus or Lam Research;

the risk that failure to complete the merger could negatively affect the price of Novellus common stock and future business and financial results of Novellus;

the potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the merger;

the risk of not capturing all of the anticipated operational synergies and cost savings between Novellus and Lam Research and the risk that other anticipated benefits might not be realized on the expected timeframe or at all;

the substantial costs to be incurred in connection with the transaction, including the costs of integrating the businesses of Novellus and Lam Research and the transaction expenses arising from the merger;

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the restrictions on the conduct of Novellus' business between the date of the merger agreement and the date of the consummation of the proposed merger;

the potential effect of the merger on Novellus' business and relationships with employees, customers, suppliers, distributors, regulators and the communities in which it operates;

the risk that governmental entities may not approve the merger or may impose conditions on Novellus or Lam Research in order to gain approval for the merger that may adversely impact the ability of the combined company to realize the synergies that are projected to occur in connection with the merger;

the risk that certain key members of senior management might choose not to remain employed with Novellus prior to the completion of the merger or with the combined company after the merger;

the terms of the merger agreement, including generally reciprocal covenants relating to the two companies' conduct of their respective businesses during the period between the signing of the merger agreement and the completion of the merger;

the possibility that the merger might not be completed, or that completion might be unduly delayed, for reasons beyond Novellus' and/or Lam Research's control and the potential negative impact that may have on Novellus' business and relationships with employees, customers, suppliers, regulators and the communities in which it operates; and

the risks of the type and nature described under Risk Factors, and the matters described under Special Note Regarding Forward-Looking Statements.

The Novellus board of directors also was apprised of certain interests in the merger of executive officers and the directors that may be different from, or in addition to, the interests of Novellus shareholders generally as discussed in Interests of Novellus Directors and Executive Officers in the Merger.

**The Novellus board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger, are advisable and fair to, and in the best interests of Novellus and its shareholders. The Novellus board of directors unanimously recommends that Novellus shareholders vote FOR the proposal to approve the merger, the merger agreement and the principal terms thereof.**

**Lam Research's Reasons for the Merger; Recommendation of the Lam Research Board of Directors**

In reaching its decision to approve the merger agreement and recommend approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, the Lam Research board of directors consulted with Lam Research's management, as well as with Lam Research's legal and financial advisors, and also considered a number of factors that the Lam Research board of directors viewed as supporting its decisions. The principal factors that the Lam Research board of directors viewed as supporting its decisions are:

the belief that the combined company will be better-positioned than either Lam Research or Novellus separately as a leader in the semiconductor equipment manufacturing industry during upcoming critical technology transitions, including 3D structures in advanced logic and NAND memory as well as the scaling of silicon wafer production from 300 mm wafers to 450 mm wafers;

the expectation that the combined company's semiconductor equipment product portfolio, including Lam Research's products in etch and single-wafer clean and Novellus' products in deposition and surface preparation, will allow the combined company to more effectively address the demands of leading semiconductor manufacturers in these adjacent areas, and the belief that the combination

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with Novellus presents a unique opportunity to complete a transformative transaction of this magnitude;

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the belief that the companies' combined product and technology portfolios will enhance the combined company's ability to develop and market next-generation products, creating significant opportunities to address adjacent aspects of the semiconductor equipment manufacturing process (drawing upon etch and single wafer clean from Lam Research, and deposition and surface preparation from Novellus), to deliver technical solutions to customers that neither company could offer independently, to enhance the attractiveness of the combined company's product offerings, to deliver more comprehensive support capabilities tailored to customers' needs, and ultimately to create greater, more secure, and faster growth opportunities;

the expectation that the relative position of each company with specific customers (including, on a combined basis, significant strength with every major semiconductor manufacturing company) can expand the opportunities to sell existing and future products to customers where one company has a historically stronger relationship;

the belief that Lam Research's and Novellus' customers are seeking semiconductor equipment suppliers with a broader suite of products and the capability to invest in new technologies, and that the combined company would address that demand by providing a complementary product lineup and an enhanced ability to develop next-generation products, particularly by leveraging the technical benefits of owning adjacent technologies and product portfolios;

the belief that the market opportunities for semiconductor equipment manufacturers are significant with continued increases in the complexity of semiconductor-dependent devices and expansion in areas such as mobile devices and cloud computing, making this an opportune time to expand;

the current and prospective competitive climate of the semiconductor equipment manufacturing industry in which Lam Research and Novellus operate, including the fact that Lam Research currently competes with companies that have broader product arrays than it currently does;

the alternatives reasonably available to Lam Research, including strategic alliances and other acquisition candidates, if it did not pursue the transaction;

that at the time the Lam Research board of directors approved the merger, the transaction was expected to generate approximately \$100 million in cost synergies on an annualized basis by the fourth quarter of calendar year 2013, through realigning combined research and development as well as selling, general and administrative expenses to improve operational efficiency; streamlining supply chains; and realizing benefits from the complementary business model strengths of Lam Research and Novellus;

the planned \$1.6 billion share repurchase program, which the Lam Research board of directors believes will accelerate the opportunity for the merger to be significantly accretive to stockholders of Lam Research, while maintaining the ability of the combined company to manage cash resources; and

the financial analyses presented by Goldman Sachs to the Lam Research board of directors described below under "Opinion of Lam Research's Financial Advisor Summary of Material Financial Analyses," and the opinion of Goldman Sachs rendered to the Lam Research board of directors to the effect that, as of December 14, 2011 and based upon and subject to the factors and assumptions set forth in its written opinion, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to Lam Research. See "Opinion of Lam Research's Financial Advisor."

In addition to considering the factors described above, the Lam Research board of directors also considered the following factors:

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its knowledge of Lam Research's business, operations, financial condition, earnings and prospects, and of Novellus' business, operations, financial condition, earnings and prospects, taking into account the results of Lam Research's due diligence review of Novellus, which supported the Lam Research board of directors' evaluation that the proposed merger together with the contemplated share repurchase could reasonably be expected to have significant benefits for Lam Research and its stockholders, including cost

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synergies, earnings accretion, and an enhanced ability to deliver solutions to customers, and generally informed the Lam Research board of directors' consideration of the relative values of Lam Research and Novellus in connection with a determination of the appropriate exchange ratio;

the anticipated market capitalization, liquidity and capital structure of the combined company, which supported the view of the Lam Research board of directors that the combined company would be well positioned to compete and to invest in the combined company's growth, as well as to complete the contemplated share repurchase;

the fact that the merger could be structured as a stock for stock transaction, and the belief that as a result it could be completed as a tax free reorganization;

the fact that the combined company would, even after completion of planned share repurchases, have sufficient liquidity to conduct its operations and address reasonably anticipated capital requirements;

the projected financial results of Lam Research as a standalone company and the ability of Lam Research to achieve its strategic goals, both with and without completing the proposed merger (and in particular the fact that the Lam Research board of directors believed that the merger would enhance the ability of Lam Research to achieve those goals);

the fact that the exchange ratio of 1.125 shares of Lam Research common stock for each share of Novellus common stock is fixed, which the Lam Research board of directors believed was consistent with market practice for mergers of this type and with the strategic purpose of the merger;

the belief that Novellus has a strong management team that can complement that of Lam Research, including the addition of Timothy Archer as the combined company's Chief Operating Officer;

the belief that the corporate culture of Novellus is compatible with that of Lam Research, that similar values and innovative spirit are shared by the two companies' employees, and that a strong cultural alignment exists between the two companies;

the conditions to Lam Research's obligation to complete the merger and Lam Research's ability under certain circumstances to terminate the merger agreement, including the belief that there were no material impediments to completing the transaction as proposed; and

the other terms and conditions of the merger agreement and the likelihood of completing the merger on the anticipated schedule. The Lam Research board of directors weighed the foregoing against a number of potentially negative factors, including:

the challenges inherent in combining the businesses, operations and workforces of two major semiconductor equipment manufacturers, including the potential for (i) unforeseen difficulties in integrating operations and systems, (ii) the possible distraction of management attention for an extended period of time and (iii) difficulties in retaining and assimilating employees;

the risk of not capturing all the anticipated operational synergies and cost savings expected as a result of the merger between Lam Research and Novellus, and the risk that other anticipated benefits may not be realized, including the impact of any such



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developments on the financial attractiveness of the merger to Lam Research stockholders;

the substantial costs to be incurred in connection with the merger, including costs to integrate the businesses of Lam Research and Novellus;

the risk that governmental entities may delay, oppose or refuse to approve the merger or impose conditions on Lam Research and/or Novellus prior to approving the merger that may adversely impact the ability of the combined company to realize synergies and other benefits that are projected to occur in connection with the merger;

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the risk that, despite the combined efforts of Lam Research and Novellus prior to the consummation of the merger, the combined company may lose key personnel, whether as a result of the financial benefits of the merger to particular employees or otherwise;

the risk of loss of customers or suppliers of the combined company following the merger, or of either Lam Research or Novellus during the pre-closing period;

the risk that the terms of the merger agreement, including provisions relating to the payment of a termination fee under specified circumstances, could have the effect of discouraging other parties that would otherwise be interested in a transaction with Lam Research from proposing such a transaction;

the restrictions on the conduct of Lam Research's business during the period between execution of the merger agreement and the consummation of the merger, including the degree to which the agreement will limit the ability of Lam Research to carry out capital transactions, to conduct other significant acquisitions, or take other significant actions outside the ordinary course of business;

the risk that Lam Research would be required to pay a termination fee under certain circumstances; and

other risks of the type and nature described under the heading "Risk Factors," and the matters described under the heading "Special Note Regarding Forward-Looking Statements."

This discussion of the information and factors considered by Lam Research's board of directors in reaching its conclusions and recommendation includes all of the material factors considered by the board, but is not intended to be exhaustive. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Lam Research board of directors did not find it useful and did not attempt to assign any relative or specific weights to the various factors that it considered in reaching its determination to approve the merger and the merger agreement and to recommend that Lam Research stockholders vote "FOR" the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger. In addition, individual members of the Lam Research board of directors may have assigned different weights to different factors. The Lam Research board of directors conducted an overall analysis of the factors described above, including through discussions with, and questioning of, Lam Research's management and outside legal and financial advisors.

The Lam Research board of directors unanimously approved the merger agreement and determined that the merger agreement and the transactions contemplated thereby, including the merger and the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, are in the best interests of Lam Research and its stockholders. The Lam Research board of directors unanimously recommends that the Lam Research stockholders vote "FOR" the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger.

**Opinion of Novellus' Financial Advisor**

Novellus has retained BofA Merrill Lynch to act as Novellus' financial advisor in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Novellus selected BofA Merrill Lynch to act as Novellus' financial advisor in connection with the merger on the basis of BofA Merrill Lynch's experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Novellus and its business.

On December 14, 2011, at a meeting of Novellus' board of directors held to evaluate the merger, BofA Merrill Lynch delivered to Novellus board of directors an oral opinion, which was confirmed by delivery of a written opinion dated December 14, 2011, to the effect that, as of the date of the opinion and based on and subject to various assumptions and limitations described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to holders of Novellus common stock.



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**The full text of BofA Merrill Lynch's written opinion to Novellus' board of directors, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to Novellus' board of directors for the benefit and use of Novellus' board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Novellus or in which Novellus might engage or as to the underlying business decision of Novellus to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed merger or any related matter.**

In connection with rendering its opinion, BofA Merrill Lynch:

- (i) reviewed certain publicly available business and financial information relating to Novellus and Lam Research;
- (ii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of Novellus furnished to or discussed with BofA Merrill Lynch by the management of Novellus, including the Novellus Management Case and the Novellus Extended Analyst Projections (each as defined below in "Certain Projections of Novellus and Lam Research");
- (iii) reviewed certain internal financial and operating information with respect to the business, operations and prospects of Lam Research furnished to or discussed with BofA Merrill Lynch, including the Lam Research Projections (as defined below in "Certain Projections of Novellus and Lam Research");
- (iv) reviewed the Lam Research Extended Management Projections and the Lam Research Extended Analyst Projections (each as defined below in "Certain Projections of Novellus and Lam Research");
- (v) reviewed certain estimates as to the amount and timing of cost savings and revenue enhancements anticipated by the management of Lam Research to result from the merger, including the Synergies, referred to herein as the synergies/cost savings;
- (vi) discussed the past and current business, operations, financial condition and prospects of Novellus with members of senior managements of Novellus and Lam Research, and discussed the past and current business, operations, financial condition and prospects of Lam Research with members of senior managements of Novellus and Lam Research;
- (vii) reviewed the potential pro forma impact of the merger on the future financial performance of Lam Research, including the potential effect on Lam Research's estimated earnings per share;
- (viii) reviewed the trading histories for Novellus common stock and Lam Research common stock and a comparison of such trading histories with each other and with the trading histories of other companies BofA Merrill Lynch deemed relevant;
- (ix) compared certain financial and stock market information of Novellus and Lam Research with similar information of other companies BofA Merrill Lynch deemed relevant;
- (x) compared certain financial terms of the merger to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

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(xi) reviewed the relative financial contributions of Novellus and Lam Research to the future financial performance of the combined company on a pro forma basis;

(xii) reviewed the merger agreement; and

(xiii) performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and relied upon the assurances of the managements of Novellus and Lam Research that they were not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Novellus Management Case, BofA Merrill Lynch was advised by Novellus, and assumed, that it was reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Novellus as to the future financial performance of Novellus. With respect to the Lam Research Management Case, BofA Merrill Lynch was advised by Lam Research, and assumed, that it was reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Lam Research as to the future financial performance of Lam Research. With respect to the Lam Research Extended Projections, BofA Merrill Lynch was advised by Novellus, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Novellus as to the future financial performance of Lam Research. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Novellus or Lam Research, nor did it make any physical inspection of the properties or assets of Novellus or Lam Research. BofA Merrill Lynch did not evaluate the solvency or fair value of Novellus or Lam Research under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Novellus, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on Novellus, Lam Research or the contemplated benefits of the merger. BofA Merrill Lynch has also assumed, at the direction of Novellus, that the merger will qualify for federal income tax purposes as a reorganization under the provisions of Section 368(a) of the Internal Revenue Code of 1986, as amended.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified in its opinion), including, without limitation, the form or structure of the merger. BofA Merrill Lynch's opinion was limited to the fairness, from a financial point of view, of the exchange ratio to the holders of Novellus common stock and no opinion or view was expressed with respect to any consideration received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the exchange ratio. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Novellus or in which Novellus might engage or as to the underlying business decision of Novellus to proceed with or effect the merger. BofA Merrill Lynch did not express any opinion as to what the value of Lam Research common stock actually would be when issued or the prices at which Novellus common stock or Lam Research common stock would trade at any time, including following announcement or consummation of the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any shareholder should vote or act in connection with the merger or any related matters. Except as described above, Novellus imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

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BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect its opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee.

The following represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to Novellus' board of directors in connection with its opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch.**

*Novellus Financial Analyses.*

*Selected Publicly Traded Companies Analysis.* BofA Merrill Lynch reviewed publicly available financial and stock market information for Novellus and the following six publicly traded companies in the global semiconductor equipment industry, including Lam Research:

Applied Materials, Inc.

ASML Holding N.V.

KLA-Tencor Corporation

Lam Research Corporation

Teradyne, Inc.

Tokyo Electron Ltd.

BofA Merrill Lynch reviewed, among other things, per share equity values, based on closing stock prices on December 12, 2011, of the selected publicly traded companies as a multiple of calendar year 2012 estimated earnings per share excluding amortization of intangibles, stock based compensation expense and other one-time charges, commonly referred to as cash EPS. BofA Merrill Lynch also reviewed enterprise values of the selected publicly traded companies, calculated as equity values based on closing stock prices on December 12, 2011, plus debt, less cash, as a multiple of calendar year 2012 estimated earnings before interest, taxes, depreciation and amortization, commonly referred to as EBITDA. BofA Merrill Lynch then applied calendar year 2012 cash EPS multiples of 10.5x to 14.0x derived from the selected publicly traded companies to Novellus' calendar year 2012 estimated cash EPS and applied calendar year 2012 EBITDA multiples of 6.5x to 9.0x derived from the selected publicly traded companies to Novellus' calendar year 2012 estimated EBITDA. Estimated financial data of the selected publicly traded companies, including Lam Research, and Novellus were based on publicly available research analysts' estimates, referred to herein as the Lam Research Analyst Projections and the Novellus Analyst Projections in the case of Lam Research and Novellus, respectively (see Certain Projections of Novellus and Lam Research). This analysis indicated the following approximate implied per share equity value reference ranges for Novellus common stock rounded to the nearest \$0.05, as compared to the per share value of the stock consideration based on the exchange ratio as of December 12, 2011:

Implied Per Share Equity  
Value Reference Ranges for  
Novellus Common Stock

Per Share Value of Novellus  
Common Stock Based on Exchange  
Ratio as of December 12, 2011

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2012E Cash EPS	2012E EBITDA	
\$ 34.50 - \$46.00	\$ 28.05 - \$38.20	\$47.36

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No company used in this analysis is identical or directly comparable to Novellus. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which Novellus was compared.

*Selected Precedent Transactions Analysis.* BofA Merrill Lynch reviewed, to the extent publicly available, financial information relating to the following eight selected transactions involving companies in the global semiconductor capital equipment industry:

Announcement Date	Acquiror	Target
May 4, 2011	Applied Materials, Inc.	Varian Semiconductor Equipment Associates, Inc.
March 28, 2011	Advantest Corporation	Verigy Ltd.
November 17, 2009	Applied Materials, Inc.	Semitool, Inc.
July 27, 2009	Agilent Technologies, Inc.	Varian, Inc.
September 2, 2008	Teradyne, Inc.	Eagle Test Systems, Inc.
February 21, 2008	KLA-Tencor Corporation	ICOS Vision Systems Corporation
December 12, 2007	Teradyne, Inc.	Nextest Systems Corporation
December 10, 2007	Lam Research Corporation	SEZ Holding AG

BofA Merrill Lynch reviewed transaction values, calculated as the enterprise value implied for the target company based on the consideration payable in the selected transaction, as a multiple of the target company's one-year forward estimated EBITDA. BofA Merrill Lynch then applied one-year forward EBITDA multiples of 10.0x to 14.0x derived from the selected transactions to Novellus' one-year forward estimated EBITDA. Estimated financial data of the selected transactions were based on publicly available information at the time of announcement of the relevant transaction. Estimated financial data of Novellus was based on the Novellus Analyst Projections. This analysis indicated the following approximate implied per share equity value reference range, rounded to the nearest \$0.05, for Novellus common stock, as compared to the per share value of the stock consideration based on the exchange ratio as of December 12, 2011:

Implied Per Share Equity	Per Share Value of Novellus Common Stock Based on Exchange Ratio as of December 12, 2011
Value Reference Range for Novellus Common Stock	
\$41.10- \$54.80	\$ 47.36

BofA Merrill Lynch also reviewed, to the extent publicly available, financial information relating to the following 22 selected transactions involving technology companies with offer values greater than \$100,000,000 and with 100% stock consideration announced since January 1, 2006.

Announcement Date	Acquiror	Target
February 21, 2011	CSR plc	Zoran Corp.
November 17, 2010	VeriFone Systems, Inc.	Hypercom Corporation
June 9, 2010	Allscripts-Mysis Healthcare Solutions, Inc.	Eclipsys Corporation
April 22, 2010	CenturyLink, Inc.	Qwest Communications
March 20, 2010	WPG Holdings Limited	Yosun Industrial Corp.
March 11, 2010	Ralink Technology Corporation	TrendChip Technologies Corporation
August 5, 2009	Google, Inc.	On2 Technologies, Inc.
June 18, 2009	WebMD Health Corp.	HLTH Corporation
April 1, 2009	Fidelity National Information Services, Inc.	Metavante Technologies, Inc.



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February 10, 2009	Live Nation, Inc.	Ticketmaster Entertainment, Inc.
February 9, 2009	CSR plc	SiRF Technology Holdings, Inc.
October 16, 2008	Electro Scientific Industries, Inc.	Zygo Corporation
December 13, 2007	ON Semiconductor Corporation	AMIS Holdings, Inc.
May 8, 2007	Exar Corporation	Sipex Corporation
December 4, 2006	LSI Logic Corporation	Agere Systems, Inc.
October 12, 2006	Internap Network Services Corporation	VitalStream Holdings, Inc.
August 8, 2006	Brocade Communications Systems, Inc.	McData Corp.
July 30, 2006	SanDisk Corporation	msystems Ltd.
May 31, 2006	ADC Telecommunications	Andrew Corporation
June 5, 2006	Micron Technology, Inc.	Lexar Media, Inc.
April 2, 2006	Alcatel SA	Lucent Technologies, Inc.
February 23, 2006	KLA-Tencor Corporation	ADE Corporation

BofA Merrill Lynch reviewed the implied premiums paid in the selected transactions over the ratio of the price of the target stock to the price of acquirer stock as reported at various dates (or for various periods) before the approximate date on which the public became aware of the possibility of such transactions. BofA Merrill Lynch then applied a range of selected premiums of 15.0% to 35.0% derived from the selected transactions to the three month average of the ratio of the Novellus stock price to the Lam Research stock price as of December 12, 2011. This analysis indicated the following approximate implied per share equity value reference range, rounded to the nearest \$0.05, for Novellus, as compared to the per share value of the stock consideration based on the exchange ratio as of December 12, 2011:

Implied Per Share Equity	Per Share Value of Novellus Common Stock Based on Exchange Ratio as of December 12, 2011
Value Reference Range for Novellus Common Stock	
\$37.15 - \$43.60	\$ 47.36

No company, business or transaction used in this analysis is identical or directly comparable to Novellus or the merger. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the acquisition or other values of the companies, business segments or transactions to which Novellus and the merger were compared.

*Discounted Cash Flow Analysis.* BofA Merrill Lynch performed a discounted cash flow analysis of Novellus to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that Novellus was forecasted to generate during Novellus' calendar years 2012 through 2016 based on the Novellus Analyst Case (as defined below in Certain Projections of Novellus and Lam Research), and the Novellus Management Case (as defined below in Certain Projections of Novellus and Lam Research). BofA Merrill Lynch calculated terminal values for Novellus by applying perpetuity growth rates of 2.5% to 3.5% to Novellus' calendar year 2016 estimated free cash flow. The cash flows and terminal values were then discounted to present value as of January 1, 2012 using discount rates ranging from 11.0% to 14.0%, which were based on an estimate of Novellus' weighted average cost of capital. This analysis indicated the following approximate implied per share equity value reference ranges, rounded to the nearest \$0.05, for Novellus common stock as compared to the per share value of the stock consideration based on the exchange ratio as of December 12, 2011:

Implied Per Share Equity	Per Share Value of Novellus Common Stock Based on Exchange Ratio as of December 12, 2011
Value Reference Ranges for Novellus Common Stock Novellus Analyst Case	
\$26.85 - \$36.90	\$ 47.36
Novellus Management Case	
\$44.15 - \$58.70	\$ 47.36



**Table of Contents****Lam Research Financial Analyses.**

*Selected Publicly Traded Companies Analysis.* BofA Merrill Lynch reviewed publicly available financial and stock market information for Lam Research and the following six publicly traded companies in the global semiconductor equipment industry, including Novellus:

Applied Materials, Inc.

ASML Holding N.V.

KLA-Tencor Corporation

Novellus

Teradyne, Inc.

Tokyo Electron Ltd.

BofA Merrill Lynch reviewed, among other things, the closing stock prices of the selected publicly traded companies on December 12, 2011 as a multiple of calendar year 2012 estimated cash EPS. BofA Merrill Lynch also reviewed enterprise values of the selected publicly traded companies, calculated as equity values based on closing stock prices on December 12, 2011, plus debt, less cash, as a multiple of calendar year 2012 estimated EBITDA. BofA Merrill Lynch then applied calendar year 2012 cash EPS multiples of 10.5x to 14.0x derived from the selected publicly traded companies to Lam Research's calendar year 2012 estimated cash EPS and applied calendar year 2012 EBITDA multiples of 6.5x to 9.0x derived from the selected publicly traded companies to Lam Research's calendar year 2012 estimated EBITDA. Estimated financial data of the selected publicly traded companies, including Novellus, and Lam Research were based on publicly available research analysts' estimates (the Novellus Analyst Projections and the Lam Research Analyst Projections in the case of Novellus and Lam Research, respectively). This analysis indicated the following approximate implied per share equity value reference ranges for Lam Research common stock rounded to the nearest \$0.05, as compared to the closing price of Lam Research common stock on December 12, 2011:

Implied Per Share Equity Value Reference Ranges for Lam Research Common Stock		Closing Trading Price of Lam Research Common Stock on December 12, 2011
2012E Cash EPS	2012E EBITDA	
\$34.45 - \$45.95	\$36.20 - \$46.55	\$42.10

No company used in this analysis is identical or directly comparable to Lam Research. Accordingly, an evaluation of the results of this analysis is not entirely mathematical. Rather, this analysis involves complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies to which Lam Research was compared.

*Discounted Cash Flow Analysis.* BofA Merrill Lynch performed a discounted cash flow analysis of Lam Research to calculate the estimated present value of the standalone unlevered, after-tax free cash flows that Lam Research was forecasted to generate during Lam Research's calendar years 2012 through 2016 based on the Lam Research Analyst Case (as defined below in Certain Projections of Novellus and Lam Research), and the Lam Research Management Case (as defined below in Certain Projections of Novellus and Lam Research). BofA Merrill Lynch calculated terminal values for Lam Research by applying perpetuity growth rates of 2.5% to 3.5% to Lam Research's calendar year 2016 estimated free cash flow. The cash flows and terminal values were then discounted to present value as of January 1, 2012 using discount rates ranging from 11.0% to 14.0%, which were based on an estimate of Lam Research's weighted average cost of capital. This analysis indicated the following approximate implied per share equity value implied reference ranges, rounded to the nearest \$0.05, for Lam Research common stock

as compared to the closing price of Lam Research common stock on December 12, 2011.

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Implied Per Share Equity Value Reference Ranges for Lam Research Common Stock		Closing Trading Price of Lam Research Common Stock on December 12, 2011
Lam Research Analyst Case		
\$35.45 - \$46.15		\$42.10
Lam Research Management Case		
\$48.30	\$65.75	\$42.10

**Combination Analysis.**

*Selected Publicly Traded Companies Analysis.* Based on the implied per share price reference ranges for Novellus and Lam Research derived from the selected publicly traded companies analyses described above, BofA Merrill Lynch calculated the high end of the implied exchange ratio reference range by dividing the high end of the Novellus implied per share price reference range by the low end of the Lam Research implied per share price reference range, and calculated the low end of the implied exchange ratio reference range by dividing the low end of the Novellus implied per share price reference range by the high end of the Lam Research implied per share price reference range. The analysis indicated the following approximate reference range, as compared to the exchange ratio in the merger:

2012E EBITDA Implied Reference Range		2012E Cash PE Implied Reference Range		Exchange Ratio
0.6022x	1.0555x	0.7504x	1.3341x	1.125x

*Contribution Analysis.* BofA Merrill Lynch calculated the relative contributions of Novellus and Lam Research to the combined company of estimated EBITDA for calendar years 2011 through 2013 using the Novellus Analyst Projections and the Lam Research Analyst Projections, on the one hand, and the Novellus Projections and the Lam Research Projections, on the other hand. Associated implied equity ownership and exchange ratios were derived from the relative contributions taking into account the capital structures of Novellus and Lam Research. The analysis indicated the following approximate exchange ratio reference range, as compared to the exchange ratio in the merger:

Novellus/Lam Research Analyst Projections	Novellus/Lam Research Projections	Exchange Ratio
0.7296x to 0.7987x	0.8070x to 0.9088x	1.125x

*Discounted Cash Flow Analysis.* Based on the per share price reference ranges implied for Novellus and Lam Research by the discounted cash flow analyses described above, BofA Merrill Lynch calculated the following implied exchange ratio reference range (the high end of the implied exchange ratio reference range was calculated by dividing the high end of Novellus implied per share price reference range by the low end of Lam Research implied per share price reference range, and the low end of the implied exchange ratio reference range was calculated by dividing the low end of Novellus implied per share price reference range by the high end of Lam Research implied per share price reference range), as compared to the exchange ratio in the merger:

Novellus/Lam Research Analyst Cases		Novellus/Lam Research Management Cases		Exchange Ratio
0.5817x	1.0410x	0.6709x	1.2152x	1.125x

*Pro Forma Accretion/Dilution Analysis.* BofA Merrill Lynch reviewed the potential pro forma financial effect of the merger on Lam Research's calendar years 2012 and 2013 estimated cash and GAAP EPS, which analysis was performed, at the direction of Novellus management, with and without consideration of a potential \$1,500,000,000 share buyback program by Lam Research, referred to herein as the Buyback. Estimated financial data for Lam Research and Novellus were based on the Lam Research Analyst Projections and the Novellus Analyst Projections, on the one hand, and on the Lam Research Projections and the Novellus Projections, on the other hand, and, in each case, took into account the synergies/cost savings. The actual results achieved by the combined company may vary from projected results and the variations may be material. This analysis indicated (i) a dilutive potential pro forma financial effect without consideration of the Buyback (other than an accretive



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effect on 2012 cash EPS based on the Lam Research Projections and Novellus Projections) and (ii) an accretive potential pro forma financial effect with consideration of the Buyback (other than a dilutive effect on 2012 GAAP EPS based on the Lam Research Analyst Projections and Novellus Analyst Projections).

### ***Other Factors.***

In rendering its opinion, BofA Merrill Lynch also reviewed and considered other factors, including:

historical trading prices and trading volumes of Novellus common stock and Lam Research common stock during the one-year period ended December 12, 2011, noting that the low and high closing prices for Novellus common stock during such period were approximately \$26.20 and \$41.70 per share, rounded to the nearest \$0.05, and the low and high closing prices for Lam Research common stock during such period were approximately \$35.40 and \$58.40 per share, rounded to the nearest \$0.05;

stock price targets for Novellus common stock and Lam Research common stock in recently published, publicly available Wall Street research analyst reports, noting that the low and high stock price targets for Novellus common stock, discounted to present value utilizing a selected discount rate of 12.5% and rounded to the nearest \$0.05, ranged from approximately \$26.65 to \$39.10 per share and the high and low stock price targets for Lam Research common stock, discounted to present value utilizing a selected discount rate of 12.5% and rounded to the nearest \$0.05, ranged from approximately \$32.90 to \$53.35 per share; and

the relationship between movements in Novellus common stock and Lam Research common stock during the two-year period ended December 12, 2011, including the daily ratio of the closing price of Novellus common stock to the closing price of Lam Research common stock during such period, and the average of this ratio calculated over various periods ended December 12, 2011.

### ***Miscellaneous.***

As noted above, the discussion set forth above is a summary of the material financial analyses presented by BofA Merrill Lynch to Novellus board of directors in connection with its opinion and is not a comprehensive description of all analyses undertaken by BofA Merrill Lynch in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description. BofA Merrill Lynch believes that its analyses summarized above must be considered as a whole. BofA Merrill Lynch further believes that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying BofA Merrill Lynch's analyses and opinion. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, BofA Merrill Lynch considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Novellus and Lam Research. The estimates of the future performance of Novellus and Lam Research in or underlying BofA Merrill Lynch's analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by BofA Merrill Lynch's analyses. These analyses were prepared solely as part of BofA Merrill Lynch's analysis of the fairness, from a financial point of view, of the consideration and were provided to Novellus' board of directors in connection with the delivery of BofA Merrill Lynch's opinion. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's view of the actual values of Novellus or Lam Research.

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The type and amount of consideration payable in the merger was determined through negotiations between Novellus and Lam Research, rather than by any financial advisor, and was approved by Novellus' board of directors. The decision to enter into the merger agreement was solely that of Novellus' board of directors. As described above, BofA Merrill Lynch's opinion and analyses were only one of many factors considered by Novellus' board of directors in its evaluation of the proposed merger and should not be viewed as determinative of the views of Novellus' board of directors or management with respect to the merger or the consideration.

Novellus has agreed to pay BofA Merrill Lynch for its services in connection with the merger an aggregate fee currently estimated to be approximately \$30 million, \$2 million of which was payable in connection with its opinion and the remainder of which is contingent upon the completion of the merger. Novellus also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers, employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Novellus, Lam Research and certain of their respective affiliates.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Novellus and in 2010 and 2011 have received, in the aggregate, approximately \$6.7 million in compensation, and in the future may receive compensation for the rendering of these services, including (i) having acted or acting as joint bookrunner on an offering by Novellus of senior convertible notes; (ii) having acted or acting as a lender under Novellus' Euro-denominated credit facility; (iii) having provided or providing certain derivatives and foreign exchange trading services to Novellus and (iv) having provided or providing certain treasury and trade management services and products to Novellus.

In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Lam Research and in 2010 and 2011 have received, in the aggregate, approximately \$3.8 million in compensation, and in the future may receive compensation for the rendering of these services, including (i) having acted or acting as a lender under certain letters of credit for Lam Research; (ii) having provided or providing certain derivatives and foreign exchange trading services to Lam Research and (iii) having provided or providing certain treasury and trade management services and products to Lam Research.

**Opinion of Lam Research's Financial Advisor**

Goldman Sachs rendered its opinion to Lam Research's board of directors that, as of December 14, 2011 and based upon and subject to the factors and assumptions set forth therein, the exchange ratio pursuant to the merger agreement was fair from a financial point of view to Lam Research.

**The full text of the written opinion of Goldman Sachs, dated December 14, 2011, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex C to this joint proxy statement/prospectus. Goldman Sachs provided its opinion for the information and assistance of Lam Research's board of directors in**



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**connection with its consideration of the transaction. The Goldman Sachs opinion is not a recommendation as to how any holder of Lam Research's common stock should vote with respect to the transaction, or any other matter.**

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

annual reports to stockholders and Annual Reports on Form 10-K of Lam Research and Novellus for the five fiscal years ended June 26, 2011 and December 31, 2010, respectively.

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Lam Research and Novellus;

certain other communications from Lam Research and Novellus to their respective stockholders;

certain publicly available research analyst reports for Lam Research and Novellus; and

certain internal financial analyses and forecasts for Lam Research and Novellus prepared by their respective managements and internal financial analyses and forecasts for Novellus prepared by the management of Lam Research, in each case as approved for Goldman Sachs' use by Lam Research, which we refer to as the Forecasts, and certain cost savings and operating synergies projected by the management of Lam Research to result from the transaction, as approved for Goldman Sachs' use by Lam Research, which we refer to as the Synergies.

Goldman Sachs also held discussions with members of the senior management of Lam Research and Novellus regarding the past and current business operations, financial condition, and future prospects of Novellus; held discussions with members of the senior management of Lam Research regarding the past and current business operations, financial condition, and future prospects of Lam (including as a result of the significant stock buyback announced by Lam Research contemporaneously with the transaction) and the strategic rationale for, and the potential benefits of, the transaction; reviewed the reported price and trading activity for the Lam Research common stock and the Novellus common stock; compared certain financial and stock market information for Lam Research and Novellus with similar information for certain other companies, the securities of which are publicly traded; reviewed the financial terms of certain recent business combinations in the semiconductor capital equipment industry and in other industries; and performed such other studies and analyses, and considered such other factors, as it deemed appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, accounting, tax and other information provided to, discussed with or reviewed by it. In that regard, Goldman Sachs assumed with Lam Research's consent that the Forecasts for Lam Research and Novellus prepared by the management of Lam Research, and the Synergies, had been reasonably prepared on a basis reflecting Lam Research's management's best then-available estimates and judgments. Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of Lam Research or Novellus or any of their respective subsidiaries, nor was any such evaluation or appraisal furnished to Goldman Sachs. Goldman Sachs assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transaction will be obtained without any adverse effect on Lam Research or Novellus or on the expected benefits of the transaction in any way meaningful to its analysis. Goldman Sachs has also assumed that the transaction will be consummated on the terms set forth in the merger agreement, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to its analysis.

Goldman Sachs' opinion does not address the underlying business decision of Lam Research to engage in the transaction or the relative merits of the transaction as compared to any strategic alternatives that may be available to Lam Research; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs



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opinion addresses only the fairness from a financial point of view, as of the date of the opinion, to Lam Research of the exchange ratio pursuant to the merger agreement. Goldman Sachs' opinion does not express any view on, and does not address, any other term or aspect of the merger agreement or the transaction or any term or aspect of any other agreement or instrument contemplated by the merger agreement or entered into or amended in connection with the transaction, including, without limitation, the fairness of the transaction to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of Lam Research; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Lam Research or Novellus, or any class of such persons in connection with the transaction, whether relative to the exchange ratio pursuant to the merger agreement or otherwise. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion, and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion. In addition, Goldman Sachs does not express any opinion as to the prices at which shares of the Lam Research common stock will trade at any time or as to the impact of the transaction on the solvency or viability of Lam Research or Novellus or the ability of Lam Research or Novellus to pay their respective obligations when they come due. Goldman Sachs' opinion was approved by a fairness committee of Goldman Sachs.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the Board of Directors of Lam Research in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before December 13, 2011 (the last trading day prior to the date of the merger agreement), and is not necessarily indicative of current market conditions.

*Historical Stock Trading Analysis.* Goldman Sachs reviewed the historical trading prices and volumes for the Lam Research common stock and the Novellus common stock for the three year period ended December 13, 2011.

In addition, Goldman Sachs analyzed the implied value of the exchange ratio pursuant to the merger agreement, in relation to the current (last trading day prior to the announcement of the merger), 30 day average, 90 day average and 52 week high ratios of the daily closing market price of the Novellus common stock to the daily closing market price of the Lam Research common stock as of December 13, 2011.

This analysis indicated that the implied value of the exchange ratio pursuant to the merger agreement relative to the ratio of the market prices of the Novellus common stock to the Lam Research common stock represented:

a premium of 28.0% based on the current ratio;

a premium of 34.7% based on the 30 day average closing ratio;

a premium of 44.6% based on the 90 day average closing ratio; and

a premium of 28.0% based on the 52 week high closing ratio.

Further, Goldman Sachs analyzed the implied value, based on the market price of the Lam Research common stock as of December 13, 2011, of the consideration to be paid to holders of Novellus common stock pursuant to the merger agreement in relation to the current, 30 day average, 90 day average and 52 week high closing market prices of the Novellus common stock.

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This analysis indicated that the implied value, based on the market price of the Lam Research common stock as of December 13, 2011, to be paid to Novellus stockholders pursuant to the merger agreement represented:

a premium of 28.0% based on the current market price;

a premium of 30.0% based on the 30 day average closing market price;

a premium of 45.1% based on the 90 day average closing market price; and

a premium of 8.4% based on the 52 week high closing market price.

*Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information, ratios and public market multiples for Lam Research and Novellus to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the semiconductor capital equipment industry:

Applied Materials, Inc.,

ASM International N.V.,

ASML Holding N.V.,

KLA-Tencor Corporation, and

Tokyo Electron Limited.

Although none of the selected companies is directly comparable to Lam Research or Novellus, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Lam Research and Novellus.

Goldman Sachs also calculated and compared various financial multiples and ratios based on information it obtained from publicly available historical data and Institutional Brokers Estimate System, or IBES, estimates. The multiples and ratios were calculated using the applicable closing market prices as of December 13, 2011. The multiples and ratios of Lam Research and Novellus were based on the Forecasts as well as IBES estimates. The multiples and ratios for each of the selected companies were based on the most recent publicly available information. With respect to the selected companies, Goldman Sachs calculated:

levered market capitalization, which is the market value of common equity plus the principal value of debt outstanding less cash, as a multiple of projected calendar year 2012 revenue; and

levered market capitalization as a multiple of projected calendar year 2013 revenue.

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The results of these analyses are summarized as follows:

<b>Levered Market Capitalization as a multiple of:</b>	<b>Selected Companies</b>		<b>Lam Research IBES</b>		<b>Novellus IBES</b>	
	<b>Range</b>	<b>Median</b>	<b>Forecasts</b>	<b>Estimates</b>	<b>Forecasts</b>	<b>Estimates</b>
CY2012E Revenue	0.8x-2.7x	1.4x	1.2x	1.4x	1.7x	1.9x
CY2013E Revenue	0.7x-2.1x	1.3x	1.0x	1.2x	1.4x	1.8x

Goldman Sachs also calculated the selected companies' estimated calendar years 2012 and 2013 price/earnings ratios using the applicable closing market prices as of December 13, 2011, and compared them to the same ratios for Lam Research and Novellus based on the Forecasts and IBES estimates. The following table presents the results of this analysis:

<b>Price/Earnings Ratio:</b>	<b>Selected Companies</b>		<b>Lam Research IBES</b>		<b>Novellus IBES</b>	
	<b>Range</b>	<b>Median</b>	<b>Forecasts</b>	<b>Estimates</b>	<b>Forecasts</b>	<b>Estimates</b>
CY2012E	10.8x-18.4x	12.5x	12.2x	14.4x	8.8x	12.9x
CY2013E	7.5x-14.4x	10.6x	7.4x	10.0x	6.8x	10.3x

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Goldman Sachs also considered calendar year 2010 to estimated calendar year 2011 revenue growth, estimated calendar year 2011 to estimated calendar year 2012 revenue growth and estimated calendar year 2011 gross margin and operating margin based on publicly available historical data and IBES estimates.

The following table presents the results of this analysis:

	Selected Companies		Lam	Novellus
	Range	Median	Research	
CY2010-CY2011E Revenue Growth	(5.6)%-31.8 %	23.4 %	(6.4)%	(0.3)%
CY2011E-CY2012E Revenue Growth	(27.9)%-(6.6)%	(7.8)%	(4.5)%	(8.9)%
CY2011E Gross Margin	33.0%-59.4 %	41.1 %	43.5 %	49.0 %
CY2011E Operating Margin	11.4%-35.2 %	21.0 %	17.8 %	21.4 %

*Selected Transactions Analysis.* Goldman Sachs analyzed certain information relating to the following selected transactions in the semiconductor equipment industry since January 1997:

The acquisition of Varian, Inc. by Applied Materials, Inc. announced on May 4, 2011,

The acquisition of Keithley Instruments, Inc. by Danaher Corporation announced on September 29, 2010,

The acquisition of Verigy Ltd. by Advantest Corporation announced on July 4, 2010,

The acquisition of Semitool, Inc. by Applied Materials, Inc. announced on November 17, 2009,

The acquisition of Excel Technology Inc. by GSI Group Inc. announced on July 10, 2008,

The acquisition of Photon Dynamics, Inc. by Orbotech Ltd. announced on June 26, 2008,

The acquisition of Credence Systems Corp. by LTX Corporation announced on June 22, 2008,

The acquisition of ICOS Vision Systems Corporation N.V. by KLA-Tencor Corporation announced on February 21, 2008,

The acquisition of Nextest Systems Corp. by Teradyne, Inc. announced on December 12, 2007,

The acquisition of The SEZ Group by Lam Research announced on December 10, 2007,

The acquisition of Applied Films Corp. by Applied Materials, Inc. announced on May 4, 2006,

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The acquisition of ADE Corporation by KLA-Tencor Corporation announced on February 23, 2006,

The acquisition of Helix Technology Corp. by Brooks Automation, Inc. announced on July 11, 2005,

The acquisition of Mykrolis Corporation by Entegris, Inc. announced on March 21, 2005,

The acquisition of NPTest, Inc. by Credence Systems Corp. announced on February 23, 2004,

The acquisition of ChipPAC, Inc. by ST Assembly Test Services Ltd. announced on February 10, 2004,

The acquisition of PRI Automation, Inc. by Brooks Automation, Inc. announced on October 24, 2001,

The acquisition of Silicon Valley Group, Inc. by ASM Lithography Holding N.V. announced on September 29, 2000,

The acquisition of Etec Systems, Inc. by Applied Materials, Inc. announced on January 12, 2000, and

The acquisition of Tencor Instruments by KLA Instruments Corporation announced on January 14, 1997.

For each of the selected transactions, Goldman Sachs calculated and compared 1 day and 30 day stock price premia and offer price as a multiple of IBES estimated next twelve months earnings per share at the time of

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announcement. While none of the companies that participated in the selected transactions are directly comparable to Novellus, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of Novellus' results, market size and product profile. Several of these transactions included stock consideration with significant pro forma ownership by the target shareholders.

The following table presents the results of this analysis (the premium and NTM P/E (next-twelve-months price/earnings) multiple for the proposed transaction were calculated as of December 14, 2011):

Statistic:	Selected Transactions		Proposed Transaction
	Range	Median	
1 Day Stock Price Premium	0%-84%	40%	28%
30 Day Stock Price Premium	4%-107%	46%	35%
NTM P/E Multiple	16.2x-112.0x	22.7x	16.5x

*Contribution Analysis.* Goldman Sachs first analyzed the proposed transaction, which implied that Lam Research's stockholders would own 59.2% of the outstanding fully diluted common equity of the combined company following consummation of the transaction, based on market data as of the close of December 13, 2011. Goldman Sachs then compared this to the implied equity contribution based on specific estimated current and future operating and financial information including revenues, gross profit, operating income and net income for Lam Research and Novellus, before taking into account any of the possible net financial benefits, such as the Synergies, that may be realized following the merger, for estimated years 2011 through 2015, based on the Forecasts. To calculate the implied equity contribution for Lam Research and Novellus, Goldman Sachs first calculated the forward multiple of Lam Research and Novellus, based on market data as of the close of December 13, 2011, for each respective operating metric in each particular year using each company's standalone levered market capitalization for revenue, gross profit, and operating profit metrics and unlevered market capitalization for net income metrics. Goldman Sachs then calculated the forward weighted average multiple of Lam Research and Novellus for each respective operating metric in each particular year and then applied these forward weighted average multiples to each company's respective operating metric in each particular year to obtain an implied standalone levered market capitalization for revenue, gross profit and operating profit based multiples and an implied standalone unlevered market capitalization for net income based multiples. Goldman Sachs then adjusted each implied standalone levered market capitalization by each company's respective net debt position to arrive at each company's implied standalone unlevered market capitalization, which it then used to calculate the implied equity contribution based on each particular operating metric in a given year.

The following table presents the results of this analysis:

	Lam Research Equity Contribution			
	Revenues	Gross Profit	Operating Income	Net Income
2011E	71.9%	69.7%	68.0%	63.8%
2012E	71.7%	69.3%	65.4%	58.9%
2013E	72.1%	69.6%	70.1%	64.8%
2014E	71.9%	69.4%	69.8%	65.1%
2015E	70.7%	67.9%	67.6%	61.8%

*Pro Forma Merger Analysis.* Goldman Sachs performed illustrative pro forma analyses using the Forecasts for Lam Research and Novellus, which took into account the potential financial impact of the following scenarios: (a) the merger alone, (b) the merger with a \$1.5 billion share repurchase at 10% above the market price for the Lam Research common stock as of December 13, 2011 and (c) the merger with a \$1.5 billion share repurchase at the market price for the Lam Research common stock as of December 13, 2011. For each of the estimated years 2012 through 2015 Goldman Sachs compared the projected earnings per share of Lam Research



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common stock, on a standalone basis, to the projected earnings per share of the common stock of the combined companies using these scenarios. In each of the above scenarios, the market price for Lam Research common stock was as of December 13, 2011.

Based on such analyses, when the Synergies were excluded, the proposed transaction would be (a) dilutive in each of the estimated years 2012 through 2015 to Lam Research's stockholders on an earnings per share basis without including the impact of a \$1.5 billion share repurchase and (b) accretive in each of the estimated years 2012 through 2015 to Lam Research's stockholders on an earnings per share basis including the pro forma impact of a \$1.5 billion share repurchase at both the market price for the Lam Research common stock as of December 13, 2011, or at a 10% premium to that price.

Further, based on such analyses, when the Synergies were included, the proposed transaction would be (a) accretive in the estimated years 2012 and 2015 and dilutive in the estimated years 2013 and 2014 to Lam Research's stockholders on an earnings per share basis without including the pro forma impact of a \$1.5 billion share repurchase and (b) accretive in each of the estimated years 2012 through 2015 to Lam Research's stockholders on an earnings per share basis including the pro forma impact of a \$1.5 billion share repurchase at both the market price for the Lam Research common stock as of December 13, 2011, or at a 10% premium to that price.

*Illustrative Discounted Cash Flow Analysis.* Goldman Sachs performed an illustrative discounted cash flow analysis on Lam Research and Novellus, as well as the Synergies. These analyses were based upon the Forecasts and market data as of the close of December 13, 2011. These analyses assumed a December 31, 2011 base date and mid-year discounting methodology.

Goldman Sachs calculated indications of net present value of free cash flows (calculated based upon tax effected EBIT adjusted for depreciation and amortization, capital expenditures and changes in working capital) for Novellus for the estimated years 2012 through 2015 and the illustrative terminal value (with perpetuity growth rates ranging from 0.5% to 4.5%) using discount rates ranging from 9.1% to 13.1%, reflecting estimates of Novellus' weighted average cost of capital. Goldman Sachs then calculated implied Novellus prices per common share on a fully diluted basis. This analysis resulted in illustrative per share value indications for Novellus of \$47.02 to \$101.14.

Goldman Sachs calculated indications of net present value of free cash flows for Lam Research for the estimated years 2012 through 2015 and the illustrative terminal value (with perpetuity growth rates ranging from 0.5% to 4.5%) using discount rates ranging from 9.4% to 13.4%, reflecting estimates of Lam Research's weighted average cost of capital. Goldman Sachs then calculated implied Lam Research prices per common share on a fully diluted basis. This analysis resulted in illustrative per share value indications for Lam Research of \$51.87 to \$107.58.

Goldman Sachs calculated indications of net present value of free cash flows for the Synergies for the estimated years 2012 through 2015 and the illustrative terminal value (with perpetuity growth rates ranging from 0.5% to 4.5% for revenue and cost of goods sold synergies) using illustrative discount rates ranging from 9.3% to 13.3%, representing estimates of the weighted average cost of capital of the pro-forma combined company. This analysis resulted in illustrative value indications of the Synergies per share for the pro forma combined company of \$5.47 to \$13.04.

Goldman Sachs calculated indications of relative equity contribution to the pro forma combined company, excluding the Synergies, using the discounted cash flow analyses described above, perpetuity growth rates ranging from 0.5% to 4.5% and discount rates ranging from +2% to -2% of estimated weighted average cost of capital calculations for Novellus and Lam Research (i.e. 9.1% - 13.1% for Novellus and 9.4% - 13.4% for Lam Research). This analysis resulted in illustrative DCF-based relative equity contribution for Novellus of 36.0% to 39.1%.

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Goldman Sachs calculated exchange ratios for the Lam Research and Novellus common stocks implied by the standalone discounted cash flow analyses described above, using perpetuity growth rates ranging from 0.5% to 4.5% and discount rates ranging from +2% to -2% of estimated weighted average cost of capital calculations for Novellus and Lam (i.e. 9.1% - 13.1% for Novellus and 9.4% - 13.4% for Lam Research) excluding the Synergies. This analysis resulted in a range of exchange ratios implied by the illustrative standalone discounted cash flow analyses of 0.906x to 0.940x Lam Research common shares per Novellus common share.

Goldman Sachs also compared (a) an illustrative discounted cash flow analysis of Lam Research using the mid-point of the methodologies described above to (b) the implied value attributable to Lam Research stockholders obtained from applying the calculated 59.2% of the outstanding common equity of the combined company Lam Research stockholders would own to the sum of the mid-point discounted cash flow analyses of the two standalone companies using the methodologies described above, with and without adding the mid-point discounted cash flow analysis of the Synergies using the methodologies described above. This comparison indicated that the implied pro forma value of ownership of the combined company for Lam Research stockholders, without adding the mid-point of the illustrative discounted cash flow analysis of the Synergies, was lower than the standalone discounted cash flow value for Lam Research, and after including the mid-point of the illustrative discounted cash flow analysis of the Synergies was greater than the illustrative standalone discounted cash flow value for Lam Research.

Goldman Sachs further compared (a) the equity market value of Lam Research based on the market value for the Lam Research common stock as of December 13, 2011 to (b) the implied value attributable to Lam Research stockholders obtained from applying the calculated 59.2% of the outstanding common equity of the combined company Lam Research stockholders would own to the combined equity market value of Lam Research and Novellus based on the market value for their respective common stocks as of December 13, 2011, with and without adding the mid-point discounted cash flow analysis of the Synergies using the methodologies described above. This comparison indicated that the implied pro forma value of ownership of the combined company for Lam Research stockholders, without adding the mid-point of the illustrative discounted cash flow analysis of the Synergies was lower than the standalone equity market value of Lam Research, and after including the mid-point of the illustrative discounted cash flow analysis of the Synergies was greater than the standalone equity market value of Lam Research.

*Present Value of Future Share Price Analysis.* Goldman Sachs performed an illustrative analysis of the implied present value of the future price per share of the Lam Research common stock, which is designed to provide an indication of the present value of a theoretical future value of a company's equity as a function of such company's estimated future earnings and its assumed price to future earnings per share multiple. For this analysis, Goldman Sachs used the Forecasts for Lam Research, Novellus and the Synergies for each of the fiscal years 2011 to 2015. Goldman Sachs applied a price to forward earnings per share multiple of 13.5x to its calculations for Lam Research and the pro forma combined company including the Synergies, and applied price to forward earnings per share multiples of 12.5x and 13.5x to its calculations for the pro forma combined company including the Synergies and also including the effect of a \$1.5 billion share repurchase effected at 10% above the market price for the market value for the Lam Research common stock as of December 13, 2011. Goldman Sachs calculated these illustrative future share prices as of the applicable calendar year end. The following table presents the results of this analysis:

	Illustrative Undiscounted Future Share Prices			Pro Forma Combined with Synergies and Stock Buyback with 13.5x P/E Multiple
	Lam Research Standalone with 13.5x P/E Multiple	Pro Forma Combined with Synergies with 13.5x P/E Multiple	Pro Forma Combined with Synergies and Stock Buyback with 12.5x P/E Multiple	
CY2012-CY2014	\$ 73.44-\$90.64	\$ 72.68-\$89.16	\$ 80.33-\$98.64	\$ 86.76-\$106.53

Goldman Sachs also discounted to present value the undiscounted illustrative future share prices discussed above using an illustrative 11.7% cost of equity, reflecting estimates of Lam Research's cost of equity. Goldman Sachs calculated these illustrative future share prices as of the applicable calendar year end (for example, share

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price as of end CY2012 was calculated using the CY2013 earnings per share estimate). The following table presents the results of this analysis:

	<b>Illustrative Present Value of Future Share Prices</b>			
	<b>Lam Research Standalone with 13.5x P/E Multiple</b>	<b>Pro Forma Combined with Synergies with 13.5x P/E Multiple</b>	<b>Pro Forma Combined with Synergies and Stock Buyback with 12.5x P/E Multiple</b>	<b>Pro Forma Combined with Synergies and Stock Buyback with 13.5x P/E Multiple</b>
CY2012-2014	\$ 57.75--\$72.65	\$ 63.29--\$71.46	\$ 70.01--\$79.06	\$ 75.62--\$85.38

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Lam Research or Novellus or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of Goldman Sachs' providing its opinion to the Lam Research board of directors as to the fairness from a financial point of view to Lam Research of the exchange ratio pursuant to the merger agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Lam Research, Novellus, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The exchange ratio was determined through arm's-length negotiations between Lam Research and Novellus and was approved by the Lam Research board of directors. Goldman Sachs provided advice to Lam Research during these negotiations. Goldman Sachs did not, however, recommend any specific exchange ratio to Lam Research or its board of directors or that any specific exchange ratio constituted the only appropriate exchange ratio for the transaction.

As described above, Goldman Sachs' opinion to the Lam Research board of directors was one of many factors taken into consideration by the Lam Research board of directors in making its determination to approve the merger agreement and the issuance of the Lam Research common stock pursuant to the merger agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex C.

Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Lam Research, Novellus and any of their respective affiliates or any currency or commodity that may be involved in the transaction for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to Lam Research in connection with, and participated in certain of the negotiations leading to, the transaction contemplated by the agreement. Goldman

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Sachs has provided certain investment banking services to Lam Research and its affiliates from time to time for which the Investment Banking Division of Goldman Sachs has received, and may receive, compensation, including having acted as joint bookrunner with respect to a public offering of Lam Research's convertible notes (aggregate principal amount \$900,000,000 in dual tranches due 2016 and 2018 respectively) in May 2011. During the two year period ended December 14, 2011, the Investment Banking Division of Goldman Sachs has received compensation for services provided to Lam Research and its affiliates of approximately \$10 million. Goldman Sachs may also in the future provide investment banking services to Lam Research, Novellus and their respective affiliates for which the Investment Banking Division of Goldman Sachs may receive compensation.

The board of directors of Lam Research selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction. Pursuant to a letter agreement dated November 16, 2011 Lam Research engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to an engagement letter between Lam Research and Goldman Sachs, Lam Research has agreed to pay Goldman Sachs a transaction fee of approximately \$22 million, \$4 million of which became payable upon execution of the merger agreement and the remainder of which is payable upon consummation of the transaction. In addition, the engagement letter between Lam Research and Goldman Sachs provides that Lam Research may pay Goldman Sachs up to an additional \$6 million at its sole discretion. Further, Lam Research has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

**Certain Projections of Novellus and Lam Research**

Although each of Novellus and Lam Research has publicly issued limited short-term guidance concerning certain aspects of its expected financial performance, each company avoids making public disclosure of detailed forecasts or projections of its expected financial performance for extended periods due to, among other things, the inherent difficulty of accurately predicting future periods and the likelihood that the underlying assumptions and estimates may prove incorrect.

The projections summarized below were not prepared for purposes of public disclosure, nor were they prepared on a basis designed to comply with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of projections, or GAAP. Neither Novellus nor Lam Research's current, former or any other independent auditors, including those listed as experts below in *Experts*, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projections summarized herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, such projections. The independent auditors' reports incorporated by reference in this joint proxy statement/prospectus relate to historical financial information. They do not extend to any prospective financial information and should not be seen to do so.

Although presented with numerical specificity, the projections were prepared in the context of an estimated market spending environment, are not actual facts and were based on numerous variables and assumptions, and various other matters specific to Novellus and Lam Research's businesses that are inherently uncertain and, in many cases, are beyond the control of Novellus and Lam Research. The projections for both Novellus and Lam Research are subject to many risks and uncertainties, including, but not limited to, the impact of general economic factors outside Novellus and Lam Research's control and other operating conditions and risks and uncertainties relating to Novellus and Lam Research's business (including their ability to achieve strategic goals, objectives and targets over applicable periods, or to adopt new strategies in response to changed circumstances) and other factors described under *Certain Projections Reviewed by Novellus* and *Certain Projections Reviewed by Lam Research*, all of which are subject to change. In addition, other than with respect to the estimated synergies, the projections and estimates do not take into account any of the transactions contemplated by the merger agreement, including the merger and associated expenses, or Lam Research's or Novellus' compliance with their respective covenants under the merger agreement. As a result, actual results likely will differ, and may differ materially, from those contained in the projections.

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The inclusion of a summary of the projections in this joint proxy statement/prospectus should not be regarded as an indication that any of Novellus, Lam Research or their respective affiliates, officers, directors or other representatives consider the projections to be necessarily predictive of actual future events, and the projections should not be relied upon as such. None of Novellus, Lam Research or their respective affiliates, officers, directors or other representatives can give any shareholder of Novellus, stockholder of Lam Research or other person any assurance that actual results will not differ materially from the projections, and none of them undertakes any obligation to update or otherwise revise or reconcile the projections to reflect circumstances existing after the date the projections were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions and estimates underlying the projections are shown to be in error. None of Novellus, Lam Research or their respective affiliates, officers, directors or other representatives has made, makes or is authorized in the future to make any representation to any shareholder of Novellus, stockholder of Lam Research or other person regarding Novellus or Lam Research's ultimate performance compared to the information contained in the projections or that the projected results will be achieved. The summaries of the projections included below are not being included to influence your decision whether to vote for the merger and the transactions contemplated in connection with the merger, but are being provided solely because the projections were considered in connection with the merger.

The projections for the calendar years ended December 31, 2011 through December 31, 2013 for Novellus and Lam Research set forth under the heading "Certain Projections Reviewed by Lam Research Board" reflect the forecasts prepared by the management of each of Novellus and Lam Research, respectively, as adjusted by the management of Lam Research for purposes of assessing the merger to reflect a more conservative view of future periods, which adjusted Projections were reviewed by the Lam Research board of directors and Goldman Sachs. The Novellus Projections and Lam Research Projections reviewed by the Novellus board of directors and BofA Merrill Lynch set forth under the heading "Certain Projections Reviewed by Novellus Board" were not similarly adjusted by Novellus management.

Novellus has made no representations to Lam Research or any other person, and Lam Research has made no representations to Novellus or any other person, concerning the projections or the assumptions and estimates on which they are based. Lam Research and Novellus urge all shareholders to review Novellus and Lam Research's most recent SEC filings for a description of Novellus and Lam Research's reported financial results. See "Where You Can Find More Information."

***Certain Projections Reviewed by Novellus Board***

Novellus management prepared, or approved, certain financial projections regarding Novellus anticipated future operations for the calendar years ended December 31, 2011 through December 31, 2013 (the "Novellus Projections"), and provided the Novellus Projections to the Novellus board of directors for use in its evaluation of the merger and strategic alternatives and, in connection therewith, also provided them to BofA Merrill Lynch, Lam Research and Party A.

In addition, the following projections were also provided to the Novellus board of directors and to BofA Merrill Lynch:

- (i) Projections that were prepared by the management of Lam Research of certain financial data of Lam Research for the calendar years ended December 31, 2011 through December 31, 2013 (the "Lam Research Projections").
- (ii) Publicly available research analysts' estimates of certain financial data of Novellus for the calendar years ended December 31, 2011 through December 31, 2013 (the "Novellus Analyst Projections").
- (iii) Publicly available research analysts' estimates of certain financial data of Lam Research for the calendar years ended December 31, 2011 through December 31, 2013 (the "Lam Research Analyst Projections").

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Novellus management also prepared, or directed the preparation of and approved, projections of certain financial data:

(i) Two separate extended projections of Novellus' anticipated future financial performance for the calendar years ended December 31, 2014 through December 31, 2016, each prepared through a process of extrapolation, using published growth rates and other publicly available information, and each starting from a different source:

extended projections based on the Novellus Projections (the Novellus Extended Management Projections, and together with the Novellus Projections, collectively, the Novellus Management Case ); and

extended projections based on the Novellus Analyst Projections (the Novellus Extended Analyst Projections, and together with the Novellus Analyst Projections, collectively, the Novellus Analyst Case ).

(ii) Two separate extended projections of Lam Research's anticipated future financial performance for the calendar years ended December 31, 2014 through December 31, 2016, each prepared through a process of extrapolation, using published growth rates and other publicly available information, and each starting from a different source:

extended projections based on the Lam Research Projections (the Lam Research Extended Management Projections and together with the Lam Research Projections, collectively, the Lam Research Management Case ); and

extended projections based on the Lam Research Analyst Projections (the Lam Research Extended Analyst Projections and together with the Lam Research Analyst Projections, collectively, the Lam Research Analyst Case ).

The foregoing Novellus and Lam Research extended projections were provided to the Novellus board of directors and BofA Merrill Lynch; however, none of the foregoing extended projections were provided to Lam Research or Party A.

The following tables present a summary of the projections discussed above in this section:

**Novellus Management Case**

(in millions, except per share information)	Novellus Projections			Novellus Extended Management Projections		
	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016
Revenue	\$ 1,342.9	\$ 1,450.1	\$ 2,000.0	\$ 2,086.0	\$ 1,908.7	\$ 2,004.1
EBITDA <sup>(1)</sup>	\$ 368.6	\$ 400.2	\$ 594.0	\$ 619.6	\$ 566.9	\$ 595.3
Non-GAAP Operating Income <sup>(1)</sup>	\$ 293.2	\$ 331.7	\$ 525.0	\$ 547.6	\$ 501.0	\$ 526.1
Cash EPS <sup>(1)</sup>	\$ 3.51	\$ 4.68	\$ 7.18	N/A	N/A	N/A
Non-GAAP Net Income <sup>(1)</sup>	\$ 243.3	\$ 282.7	\$ 450.0	N/A	N/A	N/A
Free Cash Flow <sup>(1)</sup>	N/A	\$ 303.8	\$ 440.5	\$ 478.1	\$ 472.2	\$ 460.5

**Novellus Analyst Case**

(in millions, except per share information)	Novellus Analyst Projections			Novellus Extended Analyst Projections		
	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016
Revenue	\$ 1,346.5	\$ 1,246.7	\$ 1,379.4	\$ 1,438.7	\$ 1,316.4	\$ 1,382.2
EBITDA <sup>(1)</sup>	\$ 365.5	\$ 295.5	\$ 367.1	\$ 382.9	\$ 344.3	\$ 355.1
Non-GAAP Operating Income <sup>(1)</sup>	\$ 292.4	\$ 224.1	\$ 291.7	\$ 304.3	\$ 278.4	\$ 292.3

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Cash EPS <sup>(1)</sup>	\$ 3.54	\$ 3.28	\$ 4.02	N/A	N/A	N/A
Non-GAAP Net Income <sup>(1)</sup>	\$ 246.5	\$ 184.0	\$ 237.7	N/A	N/A	N/A
Free Cash Flow <sup>(1)</sup>	N/A	\$ 224.3	\$ 262.1	\$ 279.1	\$ 273.2	\$ 254.1

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- (1) EBITDA is calculated as estimated earnings before interest, taxes, depreciation and amortization and stock based compensation expense. Non-GAAP Operating Income is defined as operating income excluding pre-tax non-recurring items. Non-GAAP Net Income is defined as net income excluding after-tax non-recurring items. Cash EPS is estimated earnings per share before stock based compensation expense and amortization of intangibles and other one-time charges. Free Cash Flow is calculated as Operating Income, minus the provision (benefit) for income taxes, capital expenditures and changes in working capital, plus depreciation and amortization, and includes stock based compensation expense. Free Cash Flow, EBITDA, Non-GAAP Operating Income, Cash EPS and Non-GAAP Net Income are not calculations provided for under GAAP. None of EBITDA, Non-GAAP Operating Income, Non-GAAP Net Income or Free Cash Flow should be considered as an alternative to net income or operating income as an indication of Novellus' operating performance or as an alternative to operating cash flow as a measure of liquidity. None of the foregoing measures is necessarily comparable to similarly titled measures of other companies. Cash EPS should not be considered as an alternative to GAAP net income as a measure of Novellus' operating performance.

**Lam Research Management Case**

(in millions)	Lam Research Projections			Lam Research Extended Management Projections		
	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016
Revenue	\$ 2,812.0	\$ 2,965.0	\$ 3,799.0	\$ 3,962.4	\$ 3,625.6	\$ 3,806.8
Non-GAAP Operating Income <sup>(1)</sup>	\$ 499.0	\$ 496.0	\$ 868.0	\$ 905.3	\$ 828.4	\$ 869.8
Non-GAAP Net Income <sup>(1)</sup>	\$ 437.0	\$ 395.0	\$ 719.0	N/A	N/A	N/A

**Lam Research Analyst Case**

(in millions)	Lam Research Analyst Projections			Lam Research Extended Analyst Projections		
	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016
Revenue	\$ 2,813.7	\$ 2,663.7	\$ 3,026.2	\$ 3,156.3	\$ 2,888.1	\$ 3,032.5
Non-GAAP Operating Income <sup>(1)</sup>	\$ 512.5	\$ 379.1	\$ 537.1	\$ 560.2	\$ 512.6	\$ 538.2
Non-GAAP Net Income <sup>(1)</sup>	\$ 438.1	\$ 320.2	\$ 457.4	N/A	N/A	N/A

- (1) Non-GAAP Operating Income is defined as operating income excluding pre-tax non-recurring items. Non-GAAP Net Income is defined as net income excluding after-tax amortization of convertible notes discount and after-tax non-recurring items. Neither Non-GAAP Operating Income nor Non-GAAP Net Income is a calculation provided for under GAAP. These measures should not be considered as an alternative to operating income or net income as an indication of Lam Research's operating performance. These measures are not necessarily comparable to similarly titled measures of other companies.

***Certain Projections Reviewed by Lam Research Board***

Lam Research's management prepared the prospective financial information summarized below in connection with the transaction, in order to provide its board and financial advisors with financial projections and potential synergies estimates in order to evaluate the transaction. In particular, at the direction of Lam Research's management and board, Goldman Sachs used the projections for Lam Research and Novellus and the estimated synergies for the combined company in performing its financial analysis for purposes of rendering the opinion described and summarized above in Opinion of Lam Research's Financial Advisor. Lam Research also provided certain projections for Lam Research's calendar years 2011 through 2013 to Novellus.



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The following tables summarize the prospective financial information prepared by Lam Research's management and used by Goldman Sachs in preparing the opinion described above:

**Novellus Projections**

(in millions)	CY2011	CY2012	CY2013	CY2014	CY2015
Revenue	\$ 1,345	\$ 1,430	\$ 1,707	\$ 1,907	\$ 1,938
Non-GAAP Operating Income <sup>(1)</sup>	\$ 294	\$ 335	\$ 416	\$ 503	\$ 514
Non-GAAP Net Income <sup>(1)</sup>	\$ 247	\$ 275	\$ 354	\$ 433	\$ 443

- (1) Non-GAAP Operating Income is defined as operating income excluding pre-tax non-recurring items. Non-GAAP Net Income is defined as net income excluding after-tax amortization of convertible notes discount and after-tax non-recurring items. Neither Non-GAAP Operating Income nor Non-GAAP Net Income is a calculation provided for under GAAP. These measures should not be considered as an alternative to operating income or net income as an indication of Novellus' operating performance. These measures are not necessarily comparable to similarly titled measures of other companies.

**Lam Research Projections**

(in millions)	CY2011	CY2012	CY2013	CY2014	CY2015
Revenue	\$ 2,812	\$ 2,965	\$ 3,624	\$ 3,988	\$ 3,804
Non-GAAP Operating Income <sup>(1)</sup>	\$ 500	\$ 496	\$ 789	\$ 939	\$ 854
Non-GAAP Net Income <sup>(1)</sup>	\$ 437	\$ 395	\$ 653	\$ 806	\$ 715

- (1) Non-GAAP Operating Income is defined as operating income excluding pre-tax non-recurring items. Non-GAAP Net Income is defined as net income excluding after-tax amortization of convertible notes discount and after-tax non-recurring items. Neither Non-GAAP Operating Income nor Non-GAAP Net Income is a calculation provided for under GAAP. These measures should not be considered as an alternative to operating income or net income as an indication of Lam Research's operating performance. These measures are not necessarily comparable to similarly titled measures of other companies.

(in millions)	Estimated Synergies			
	CY2012	CY2013	CY2014	CY2015
Net Pre-Tax Cost Synergies	\$ 15	\$ 99	\$ 110	\$ 147
Net Pre-Tax Revenue Synergies	\$ 0	\$ 10	\$ 20	\$ 60

In developing the above prospective financial information, Lam Research made numerous assumptions about its and Novellus' industries, markets and products, and their ability to execute on their respective business plans. In particular, Lam Research assumed that the wafer fabrication equipment market would decline by approximately 10% from 2011 to 2012, grow approximately 20% from 2012 to 2013, and then vary approximately 5% up or down over the remaining projection period, but that each of Lam Research and Novellus would increase market share in its major business units, as well as derive incremental revenue from new products, over the projection period. Lam Research also assumed that no significant restructuring or impairment costs would be incurred during the projection period.

Lam Research based the estimated synergies on potential revenue and cost savings synergies that Lam Research's management projected to result from the merger, including the potential for new product offerings combining complementary technologies, realizing benefits from the complementary business model strengths of Lam Research and Novellus, access to and development of new markets, reduced cost of sales, reduced R&D costs and reduced sales, general and administrative costs.

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**Interests of Lam Research Directors and Executive Officers in the Merger**

None of Lam Research's executive officers or the members of its board of directors is party to an agreement with Lam Research, or participates in any Lam Research plan, program or arrangement that provides such executive officer or board member with financial incentives that are contingent upon the consummation of the merger.

Other than continuing membership on the board of directors of Lam Research or continuing in their positions as executive officers of Lam Research after the effective time of the merger as described in further detail below under the heading "Board of Directors and Management Following the Merger," the members of the Lam Research board of directors and the executive officers of Lam Research do not have any interests in the merger that are different from, or in addition to, the interests of Lam Research stockholders generally.

Lam Research's directors and executive officers have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger.

**Interests of Novellus Directors and Executive Officers in the Merger**

In considering the recommendation of the Novellus board of directors that you vote to adopt the merger agreement, you should be aware that Novellus' directors and executive officers have economic interests in the merger that may be different from, or in addition to, those of Novellus shareholders generally. The Novellus board of directors was aware of and considered these interests, among other matters, in reaching its decisions to adopt and approve, and declare advisable, the merger agreement, the merger and the transactions contemplated by the merger agreement.

**Treatment of Novellus Equity Awards**

*Treatment of Novellus Stock Options.* Under the terms of the merger agreement, at the effective time of the merger, each outstanding option for Novellus common stock ( "Novellus Stock Option" ) held by a then-current employee of Novellus, whether vested or not, will be assumed by Lam Research and converted into an option to purchase shares of Lam Research common stock (each, an "Assumed Option" ). Each Assumed Option will be subject to, and exercisable and vested on, the same terms and conditions applicable to such Assumed Option (including under the terms of the applicable Novellus stock plan, the applicable award agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each such Assumed Option will constitute an Assumed Option (i) to acquire that number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (x) the number of shares of Novellus common stock subject to such Assumed Option immediately prior to the effective time of the merger by (y) 1.125; and (ii) with an exercise price per share of Lam Research common stock (rounded up to the nearest whole penny) equal to the quotient obtained by dividing (x) the exercise price per share of a share of Novellus common stock subject to such Assumed Option immediately prior to the effective time of the merger by (y) 1.125. At the effective time of the merger, each outstanding Novellus Stock Option held by a former employee of Novellus, whether vested or not, will terminate without payment of any consideration therefor.

Per the terms and conditions applicable to Assumed Options granted under Novellus' 2011 Stock Incentive Plan and the applicable award agreements, holders of such Assumed Options will be entitled to certain vesting acceleration in connection with certain terminations of employment, including but not limited to a termination of the holder's employment without cause or a resignation for good reason on the date of or within twelve (12) months after the closing of the merger (as such terms are defined in the applicable award agreements). Except as noted below, upon such termination, the holder's Assumed Options that were granted under Novellus' 2011 Stock Incentive Plan will vest in full. With respect to such Assumed Options that were granted on or after December 14, 2011, vesting of the Assumed Options will not accelerate upon termination of the holder's employment without cause if such termination is in connection with a reduction in force (as such term is

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defined in the applicable award agreements) and the holder was not otherwise eligible for retirement (as such term is defined in the applicable award agreements).

Per the Amended and Restated Employment Agreement with Richard S. Hill, Novellus Chairman and Chief Executive Officer, as described in further detail below, Mr. Hill will be entitled to certain acceleration of vesting of Assumed Options in connection with certain terminations of his employment.

*Treatment of Novellus RSUs and Novellus PSUs.* Under the terms of the merger agreement, at the effective time of the merger, each outstanding Novellus RSU and Novellus PSU held by a then-current employee of Novellus, whether vested or not, will be assumed by Lam Research and converted into the right to receive shares of Lam Research common stock (each, an Assumed RSU). Each Assumed RSU will be subject to, and vested on, the same terms and conditions applicable to such Assumed RSU (including under the terms of the applicable Novellus stock plan, the applicable award agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each Assumed RSU will constitute an Assumed RSU to acquire the number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (i) the number of shares of Novellus common stock subject to such Assumed RSU immediately prior to the effective time of the merger by (ii) 1.125. Each Novellus PSU that vests in connection with the consummation of the merger will become fully vested with respect to the maximum number of shares of Novellus common stock payable pursuant to such Novellus PSU. At the effective time of the merger, each outstanding Novellus RSU and Novellus PSU held by a former employee of Novellus, whether vested or not, will terminate without payment of any consideration therefor.

Per the terms and conditions applicable to Novellus RSUs and Novellus PSUs granted under Novellus 2001 Stock Incentive Plan and the applicable award agreements, Novellus RSUs and Novellus PSUs that are outstanding and unvested immediately prior to the effective time of the merger will vest in full immediately prior to but contingent upon the merger. With respect to Novellus RSUs granted under Novellus 2011 Stock Incentive Plan and held by current employees of Novellus as of the effective time of the merger, such awards will be assumed by Lam Research as described above and, per the terms and conditions applicable to such Assumed RSUs under Novellus 2011 Stock Incentive Plan and the applicable award agreements, the holders, including Novellus executive officers, will be entitled to certain vesting acceleration in connection with certain terminations of employment, including a termination of the holder's employment without cause or a resignation for good reason on the date of or within twelve (12) months after the closing of the merger (as such terms are defined in the applicable award agreements). Except as noted below, upon such termination, the holder's Assumed RSUs that were granted under Novellus 2011 Stock Incentive Plan will vest in full. With respect to such Assumed RSUs granted on or after December 14, 2011, vesting of the Assumed RSUs will not accelerate upon termination of the holder's employment without cause if such termination is in connection with a reduction in force (as such term is defined in applicable award agreements) and the holder was not otherwise eligible for retirement (as such term is defined in the applicable award agreements).

Per the Amended and Restated Employment Agreement with Mr. Hill, as described in further detail below, Mr. Hill will be entitled to certain acceleration of vesting of Assumed RSUs in connection with certain terminations of his employment.

*Treatment of Novellus Restricted Stock Awards.* Novellus has granted, and there remains outstanding, restricted shares of Novellus common stock (Novellus Restricted Stock) held by its non-employee directors and two employees, including Mr. Hill. In connection with the consummation of the merger, each outstanding share of Novellus Restricted Stock granted to a non-employee director of Novellus will vest and be converted into shares of Lam Research common stock in the same manner as all other shares of Novellus common stock held by Novellus shareholders, as described in the section entitled The Merger Agreement Terms of Merger; Merger Consideration. With respect to outstanding shares of Novellus Restricted Stock granted to Novellus employees, including Mr. Hill, in connection with the consummation of the merger, such shares will be converted into shares of Lam Research common stock in the same manner as all other shares of Novellus

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common stock held by Novellus shareholders, as described in the section entitled "Terms of Merger; Merger Consideration", except that the shares will continue to be subject to, and vest on, the same terms and conditions applicable thereto (including under the terms of the applicable Novellus stock plan, the applicable award agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger.

Per the Amended and Restated Employment Agreement with Mr. Hill, as described in further detail below, Mr. Hill will be entitled to certain acceleration of vesting of Novellus Restricted Stock in connection with certain terminations of his employment.

The information in the following table relates to the Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock anticipated to be beneficially owned by Novellus directors and executive officers as of immediately prior to the closing of the merger and that remain subject to single-trigger or double-trigger accelerated vesting in connection with the merger, assuming that the merger closes on April 1, 2012. Consequently, the following table excludes all Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock that are expected to vest prior to April 1, 2012, in accordance with the current vesting schedule applicable to such awards (disregarding any vesting acceleration to which the holders may be entitled in connection with the merger or otherwise).

Name	Number of Shares Subject to Novellus Stock Options that will Accelerate	Number of Shares Subject to Novellus RSUs and Novellus PSUs that will Accelerate <sup>(1)</sup>	Number of Shares of Novellus Restricted Stock that will Accelerate	Number of Shares Subject to Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock that will Accelerate <sup>(1)(2)</sup>	Estimated Total Value (\$) <sup>(3)</sup>
<b>Executive Officers</b>					
Richard S. Hill	215,875	214,785	60,240	490,900	13,471,608
Timothy M. Archer		164,780		164,780	6,664,322
Fusen E. Chen		123,720		123,720	5,003,701
Andrew J. Gottlieb		55,590		55,590	2,248,269
John D. Hertz		90,950		90,950	3,678,360
<b>Directors</b>					
Neil R. Bonke			10,000	10,000	404,438
Youssef A. El-Mansy			10,000	10,000	404,438
Glen G. Possley			10,000	10,000	404,438
Ann D. Rhoads			10,000	10,000	404,438
Krishna Saraswat			9,166	9,166	370,708
William R. Spivey			10,000	10,000	404,438
Delbert A. Whitaker			10,000	10,000	404,438

- (1) The number of shares subject to Novellus PSUs granted in 2009 was determined based on the number of shares that would have become payable pursuant to such awards based upon achievement of maximum performance under the terms of such awards. The number of shares subject to Novellus PSUs granted in 2010 was determined based on assumed achievement at target of the performance goals applicable to such awards. Actual performance of these Novellus PSUs relative to target will be determined prior to April 1, 2012 and may be less than target.
- (2) As described above, Novellus RSUs and Novellus PSUs issued under Novellus 2001 Stock Incentive Plan will accelerate vesting in connection with the merger. Novellus Restricted Stock awards issued to Novellus non-employee directors will also accelerate vesting in connection with the merger. Novellus RSUs issued to executive officers other than Mr. Hill under Novellus 2011 Stock Incentive Plan will accelerate vesting upon a termination without cause or resignation for good reason on or within twelve (12) months following the merger (as such terms are defined in the applicable award agreements). Novellus Stock Options, Novellus RSUs and Novellus Restricted Stock awards issued to Mr. Hill will accelerate vesting in accordance with the terms of the Amended Agreement upon Mr. Hill's resignation on or within two (2) years following the merger,

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with such a resignation qualifying as a resignation for good reason. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination. The number of shares subject to Novellus Stock Options, Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards that will fully accelerate in connection with the merger was determined assuming that the merger will occur on April 1, 2012 and that, where required for acceleration, the individual's employment is terminated without cause or a resignation for good reason in connection with the merger. Under the applicable award agreements and the Amended Agreement, an individual may be entitled to equivalent or lesser vesting acceleration upon certain other terminations of employment (e.g., death, disability, or retirement).

- (3) The estimated total value of the unvested Novellus Stock Options that will accelerate vesting in connection with the merger (or upon a subsequent termination of employment) was determined by multiplying (A) the product of (i) the number of shares of Novellus common stock estimated to be subject to each unvested Novellus Stock Option as of immediately prior to April 1, 2012, and that will accelerate in connection with the merger (or upon a subsequent termination of employment), and (ii) 1.125, the exchange ratio, and (B) the excess of \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011) over the quotient obtained by dividing (i) the exercise price per share of such Novellus Stock Option by (ii) 1.125, the exchange ratio (with the result rounded up to the nearest dollar). The estimated total value of the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock that will accelerate vesting in connection with the merger (or upon a subsequent termination of employment) was determined by multiplying (A) the product of (i) the sum of the number of shares of Novellus common stock estimated to be subject to the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards as of immediately prior to April 1, 2012, and (ii) 1.125, the exchange ratio, and (B) \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011), with the result rounded up to the nearest dollar.

*Novellus Employment Arrangements.* Other than with respect to Mr. Hill, Novellus has not entered into any employment agreements with its executive officers pursuant to which an executive officer would be entitled to any benefits or compensation in connection with the merger or a termination of employment in connection with the merger. With respect to Mr. Hill, on June 9, 2011, Novellus entered into an Amended and Restated Employment Agreement with Mr. Hill (the "Amended Agreement"). Pursuant to the Amended Agreement, Mr. Hill is entitled to receive certain benefits and/or payments in connection with certain terminations of his employment, including due to death, disability, without cause or a resignation for good reason (as such terms are defined in the Amended Agreement). If Novellus (or a successor, including Lam Research or Merger Sub) terminates Mr. Hill's employment without cause or Mr. Hill resigns for good reason, he will be entitled to receive:

A supplemental retirement payment equal to sixty (60) times his highest base monthly salary paid during his employment increased by an additional amount equal to the positive difference (if any) between (i) the cash surrender value of the policy of life insurance issued by Sun Life Insurance Company and maintained by Novellus with respect to Mr. Hill, determined as of the date on which the termination is effective, and (ii) the foregoing supplemental retirement benefit. Mr. Hill's aggregate supplemental retirement benefit is payable in a single lump sum within thirty (30) days following Mr. Hill's date of termination, subject to delay as may be required to comply with Section 409A(a)(2)(B)(i) of the Internal Revenue Code;

Payment of health insurance premiums in accordance with Novellus' Officers' Retirement Medical and Dental Coverage program without regard to any age or length of service limitations for that program;

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Continued vesting of his stock options during the two (2) year period following his termination (unless he is entitled to immediate acceleration of the stock options as described in further detail below), with vested options to be exercised within three years following the end of such period; and

Immediate vesting of his restricted stock and restricted stock unit awards.

The benefits described above are conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination. If Mr. Hill violates the non-compete or non-solicitation provisions in the Amended Agreement, payment or provision of the supplemental retirement benefits described above will cease.

In addition, in connection with a change in control (as defined in the Amended Agreement) which includes the merger, if Mr. Hill accepts a position with Novellus or its successor (including Lam Research or Merger Sub in the case of the merger) other than as Chairman and Chief Executive Officer, he will have the right to terminate his employment at any time on or within two (2) years following the change in control, which includes the merger, and such a termination will qualify as a termination for good reason. Upon such a termination, Mr. Hill will receive the benefits described above except that any unvested stock options, restricted stock, restricted stock units or similar awards will immediately vest and become exercisable and be released from applicable restrictions on transfer or repurchase rights. However, the Amended Agreement provides for a 280G cutback with a best net provision, meaning that in the event that an excise tax under Section 4999 of the Internal Revenue Code would be assessed on payments or other benefits received upon a change in control, including the merger, Mr. Hill will be entitled to receive: (i) the full aggregate amount of payments and other benefits to which he is entitled or (ii) an amount equal to one dollar less than three times Mr. Hill's base amount (within the meaning of Section 280G of the Internal Revenue Code), whichever results in Mr. Hill's receipt of the largest aggregate amount, taking into account all applicable federal, state, and local taxes.

### **Indemnification**

Directors and Executive officers of Novellus also have rights to indemnification and directors' and officers' liability insurance that will survive completion of the merger. Please see The Merger Agreement Other Covenants and Agreements.

### **New Arrangements with Lam Research**

*Richard S. Hill.* As of the date of this joint proxy statement/prospectus, Mr. Hill has entered into a consulting agreement with Lam Research (the Consulting Agreement), which is contingent upon and commences as of the closing of the merger. Pursuant to the Consulting Agreement, Mr. Hill will resign from his employment with Novellus for good reason (as defined in the Amended Agreement) on the later of (i) June 15, 2012 and (ii) the date of the merger. If the merger closes prior to June 15, 2012, Mr. Hill will remain employed by Novellus during the period from the date of the merger until June 15, 2012, will receive only base salary and generally applicable employee benefits as compensation for such period, and will report directly to the Chief Executive Officer of Lam Research. Following Mr. Hill's termination of employment with Novellus, he will receive the benefits to which he is entitled in connection with a resignation for good reason, as described below in Interests of Novellus Directors and Executive Officers in the Merger Potential Payments in Connection with a Change in Control.

Following Mr. Hill's termination of employment with Novellus, he will provide advisory services for a period of three years as requested by the Lam Research board of directors and executive team. In return for his advisory services and his compliance with certain non-compete and non-solicitation covenants set forth in the Consulting Agreement, Mr. Hill will receive \$2,300,000, payable ratably over the term of the Consulting Agreement. The Consulting Agreement will terminate in the event of Mr. Hill's death or disability (within the meaning of Section 409A of the Internal Revenue Code) prior to the end of its term and, upon such a termination,

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any remaining balance of the consulting fees that have not previously been paid under the Consulting Agreement will become immediately due and payable in a lump sum.

Lam Research has agreed to make charitable contributions in an aggregate amount equal to \$2,300,000 to one or more organizations qualified under Section 501(c)(3) of the Internal Revenue Code, as directed by Mr. Hill, provided that at least 50% of the contribution must be made to business and/or technical schools that can potentially benefit Lam Research and Novellus. The charitable contributions will be made on or before December 31, 2012.

*Timothy M. Archer.* As of the date of this joint proxy statement/prospectus, Mr. Archer has entered into a new employment agreement with Lam Research (the Archer Agreement) that will be effective as of the closing of the merger. The material terms of the Archer Agreement include the following:

Mr. Archer will serve as Executive Vice President and Chief Operating Officer of the combined company;

Annual base salary will be \$550,000;

Initial target annual bonus opportunity will equal 100% of annual base salary for the second six months of 2012 (i.e., such target bonus opportunity for the second six months of 2012 is one-half of his annual base salary);

Initial long-term incentive bonus opportunity will equal \$2,500,000, expected to be paid 50% in cash and 50% in Lam Research equity, with a target payment date in February of 2014;

Mr. Archer will be paid an integration bonus of \$1,000,000 no later than March 15, 2014, subject to his continued employment through December 31, 2013 and his relocation to the San Francisco Bay Area as requested by Lam Research; and

If a change in control (as defined in the Archer Agreement) occurs during the period of Mr. Archer's employment under the Archer Agreement, and if there is an involuntary termination (as defined in the Archer Agreement) of Mr. Archer's employment either in contemplation of or within the 12 months following such change in control, Mr. Archer will be entitled to receive (1) a lump-sum cash payment equal to twelve (12) months of Mr. Archer's base salary (without giving effect to any salary reduction program then in effect), plus an amount equal to the average of the last five years of payments earned by Mr. Archer under the annual incentive bonus programs of Lam Research and Novellus (the Short Term Program, and such average, the Five Year Average Amount), plus a pro rata amount of the Five Year Average Amount based on service during the year in which the termination date occurs; (2) payment of any amount earned under the Short Term Program but unpaid as of the termination date for the calendar year prior to the year in which the termination date occurs; (3) certain medical benefits; (4) full vesting of the unvested stock option/restricted stock unit awards granted to Mr. Archer prior to the change of control, excluding his prior Novellus awards (which are governed by their terms), and a two (2) year post-termination exercise period for such options; and (5) payment of any amount accrued as of the last full completed quarter prior to the change of control under the long-term incentive bonus program, plus an amount equal to the remaining target amount under the long-term incentive bonus program.

If an Involuntary Termination (as defined in the Archer Agreement) of Mr. Archer's employment occurs, other than in connection with a change of control (as defined in the Archer Agreement), Mr. Archer will receive: (1) a lump-sum cash payment equal to twelve (12) months of base salary (without giving effect to any salary reduction program then in effect), plus an amount equal to 50% of the Five Year Average Amount; (2) a pro rata payment of the Short Term Program amount for the year in which the termination date occurs; (3) payment of any amounts earned under the Short Term Program but unpaid as of the termination date for the calendar year prior to the year in which the termination date occurs; (4) payment of any amounts accrued as of the last full completed quarter prior





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to the date of termination under any long-term incentive bonus program; (5) certain medical benefits; and (6) vesting of a pro rata portion of the unvested stock option/restricted stock unit awards granted to Mr. Archer at least twelve months prior to the termination date, excluding his prior Novellus awards (which are governed by their terms), and a two (2) year post-termination exercise period for such options. Lam Research may accelerate the vesting of additional stock options and restricted stock units in its discretion.

Mr. Archer's agreement also subjects Mr. Archer to customary confidentiality and non-competition obligations during the term of his employment, and non-solicitation obligations during such term and for a period of six (6) months following the termination of his employment. The agreement also requires Mr. Archer to execute a release in favor of Lam Research to receive the severance payments described above.

*Continued Compensation and Benefits.* Following the merger and until December 31, 2012, Lam Research has agreed to (i) not reduce the base compensation or incentive compensation opportunities of each continuing employee of Novellus and its subsidiaries, including the executive officers, (ii) honor Novellus' rule of 70 accelerated stock vesting retirement plan, which provides for certain vesting acceleration of certain Novellus equity awards in connection with an eligible employee's retirement (within the meaning of such term as set forth in the plan) and (iii) cause Novellus to maintain its benefit plans (other than Novellus' 401(k) plan) that are employee benefit plans within the meaning of and subject to the Employee Retirement Security Act of 1974, as amended. All of Novellus' executive officers currently participate in, or are eligible to participate in Novellus' employee benefit plans, which include medical, dental, vision, life insurance, accidental death and dismemberment insurance, business travel accident insurance, short term and long term disability, employee assistance program, flexible spending accounts, deferred compensation plan, and other welfare benefit plans.

Lam Research has further agreed to allow continuing employees, including Novellus' executive officers, to immediately participate in Lam Research's 401(k) plan and rollover eligible rollover distributions from Novellus' 401(k) plan to Lam Research's 401(k) plan in the event that Novellus' 401(k) plan is terminated as contemplated by the merger agreement. Finally, to the extent that a continuing employee becomes a participant in a U.S. plan of Lam Research, Lam Research has agreed to recognize such employee's prior service with Novellus, its subsidiaries and any predecessor employers (to the extent recognized by Novellus) for vesting and eligibility purposes and, to the extent not prohibited by an insurer or service provider, to waive pre-existing conditions limitations, exclusions, actively-at-work requirements and waiting periods.

*Potential Payments in Connection with a Change in Control.* The table below reflects the compensation and benefits that will or may be paid or provided in connection with the merger in the circumstances described below to each of Novellus' named executive officers (Richard S. Hill, Timothy M. Archer, Fusen E. Chen, John D. Hertz, and Andrew J. Gottlieb), as determined in accordance with Item 402(t) of Regulation S-K. Except where noted, severance payments have been calculated based on the named executive officer's current compensation. Regardless of the manner in which a named executive officer's employment terminates, the executive is entitled to receive amounts already earned during his or her term of employment, such as base salary earned through the date of termination. Please note that the amounts indicated below are estimates based on the material assumptions described in the notes to the table below, which may or may not actually occur. Some of these assumptions are based on information currently available and, as a result, the actual amounts, if any, to be received by a named executive officer may differ in material respects from the amounts set forth below. Furthermore, for purposes of calculating such amounts, we have assumed a closing date of April 1, 2012, including with respect to calculating the portion of equity awards subject to acceleration of vesting (assuming continued vesting of Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock in accordance with the current vesting schedule applicable to such awards and assuming that all such awards remain outstanding immediately prior to April 1, 2012, to the extent not vested and settled pursuant to their terms before such date).

**Table of Contents****Merger-Related Executive Compensation**

Name	Cash (\$)	Equity (\$) <sup>(1)</sup>	Pension/ NQDC (\$)	Perquisites/ Benefits (\$)	Tax Reimbursement (\$)	Other (\$)	Total (\$)
<b>Richard S. Hill</b>	4,888,263 <sup>(2)</sup>	13,471,608		426,902 <sup>(3)</sup>			\$ 18,786,773
<b>Timothy M. Archer<sup>(4)</sup></b>		6,664,322					6,664,322
<b>Fusen E. Chen</b>		5,003,701					5,003,701
<b>John D. Hertz</b>		3,678,360					3,678,360
<b>Andrew J. Gottlieb</b>		2,248,269					2,248,269

- (1) As described above, Novellus RSUs and Novellus PSUs issued under Novellus' 2001 Stock Incentive Plan will single trigger accelerate vesting in connection with the merger. Novellus RSUs issued to named executive officers other than Mr. Hill under Novellus' 2011 Stock Incentive Plan will double trigger accelerate vesting upon a termination without cause or resignation for good reason on or within twelve (12) months following the merger (as such terms are defined in the applicable award agreements). Novellus Stock Options, Novellus RSUs and Novellus Restricted Stock awards issued to Mr. Hill will double trigger accelerate vesting in accordance with the terms of the Amended Agreement upon Mr. Hill's resignation on or within two (2) years following the merger, with such a resignation qualifying as a resignation for good reason under the terms of the Amended Agreement. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination. The number of shares of Novellus common stock subject to Novellus Stock Options, Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards that will accelerate vesting in connection with the merger was determined assuming that the merger will occur on April 1, 2012 and that, where required for acceleration, the individual's employment is terminated without cause or a resignation for good reason in connection with the merger. Under the applicable award agreements and the Amended Agreement, an individual may be entitled to equivalent or lesser vesting acceleration upon certain other terminations of employment (e.g., death, disability, or retirement). The estimated value of the unvested Novellus Stock Options that will accelerate vesting in connection with the merger was determined by multiplying (A) the product of (i) the number of shares of Novellus common stock estimated to be subject to each unvested Novellus Stock Option as of immediately prior to April 1, 2012, and that will accelerate in connection with the merger (or upon a subsequent termination of employment), and (ii) 1.125, the exchange ratio, and (B) the excess of \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011) over the quotient obtained by dividing (i) the exercise price per share of such Novellus Stock Option by (ii) 1.125, the exchange ratio (with the result rounded up to the nearest dollar). The estimated total value of the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock that will accelerate vesting in connection with the merger was determined by multiplying (A) the product of (i) the sum of the number of shares of Novellus common stock estimated to be subject to the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards as of immediately prior to April 1, 2012, and (ii) 1.125, the exchange ratio, and (B) \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011), with the result rounded up to the nearest dollar. The following table sets forth the aggregate estimated value of acceleration of Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock awards by single trigger and double trigger acceleration.

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Name	Single Trigger (\$)	Double Trigger (\$)
<b>Richard S. Hill</b>	8,686,711	4,784,897
<b>Timothy M. Archer</b>	3,979,665	2,684,657
<b>Fusen E. Chen</b>	3,979,665	1,024,036
<b>John D. Hertz</b>	2,566,156	1,112,204
<b>Andrew J. Gottlieb</b>	1,506,530	741,739

- (2) Pursuant to the terms of Mr. Hill's Amended Agreement, upon Mr. Hill's termination of employment without cause, resignation for good reason (including a good reason termination on or within two (2) years following the merger), or due to disability or death, Mr. Hill will receive a lump-sum supplemental retirement benefit equal to sixty (60) times his highest base monthly salary paid during his employment, plus the positive difference (if any) between the (a) the cash surrender value of a life insurance policy with respect to Mr. Hill held by Novellus and (b) the foregoing supplemental retirement benefit. This amount is estimated to equal \$4,888,263 and is double trigger in nature to the extent payable in connection with Mr. Hill's resignation for good reason on or within two (2) years following the merger. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination. The estimated total for Mr. Hill's supplemental retirement benefit assumes a monthly base salary of approximately \$79,137.08 and that the life insurance policy held by Novellus with respect to Mr. Hill has a cash surrender value in the amount of \$4,888,263, which is the cash surrender value of the life insurance policy as of December 31, 2011. Pursuant to the terms of the Consulting Agreement, Mr. Hill will be compensated \$2,300,000 payable ratably over the three-year period commencing on the later of (i) June 15, 2012 and (ii) the closing of the merger in return for providing advisory services as requested by the Lam Research board of directors and executive team and his compliance with certain non-compete and non-solicitation covenants set forth in the Consulting Agreement. The \$2,300,000 in compensation under Mr. Hill's Consulting Agreement is based on his advisory services to be provided after the merger and is not related to the merger described herein. Lam Research will also make charitable contributions in an aggregate amount equal to \$2,300,000 to one or more organizations qualified under Section 501(c)(3) of the Internal Revenue Code, as directed by Mr. Hill, provided that at least 50% of the contribution must be made to business and/or technical schools that can potentially benefit Lam Research and Novellus. The charitable contributions will be made on or before December 31, 2012.
- (3) Pursuant to the terms of Mr. Hill's Amended Agreement, upon Mr. Hill's termination of employment without cause, resignation for good reason (including a good reason termination on or within two (2) years following the merger), or due to disability or death, Mr. Hill and his spouse will be provided healthcare benefits for the duration of their lifetimes under Novellus Executive Officers Medical and Dental Retirement Benefits Plan, without regard to any age or length of service limitation other than being an employee in good standing upon termination of employment. The Executive Officers Medical and Dental Retirement Benefits Plan provides for medical and dental coverage that is substantially comparable to coverage provided to active employees for executive officers and their spouses for the duration of their lifetimes and for dependent minor children as defined by the plan. The material assumptions used to calculate the present value of the accumulated benefit of Mr. Hill under the Executive Officers Medical and Dental Retirement Benefits Plan include a discount rate of 5.10%, a projection of the RP 2000 mortality table used by sponsors of defined benefit pension plans for funding purposes, and a healthcare trend rate of 10% for 2012, with an ultimate health trend rate of 5%. This benefit is double trigger in nature to the extent payable in connection with Mr. Hill's resignation for good reason on or within two (2) years following the merger. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination.

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- (4) Pursuant to the terms of the Archer Agreement, Mr. Archer will be entitled to: (a) an annual base salary of \$550,000; (b) an initial target annual bonus opportunity equal to 100% of his annual base salary for the second six months of 2012 (i.e., such target bonus opportunity for the second six months of 2012 is one-half of his annual base salary); (c) an initial long-term incentive bonus opportunity of \$2,500,000, expected to be paid 50% in cash and 50% in Lam Research equity, with a target payment date in February of 2014; and (d) an integration bonus of \$1,000,000, payable no later than March 15, 2014, subject to his continued employment through December 31, 2013 and his relocation to the San Francisco Bay Area as requested by Lam Research. These potential payments are based on performance after closing and are not payments related to the merger described herein. If a change in control (as defined in the Archer Agreement) occurs during the period of Mr. Archer's employment under the Archer Agreement, and if there is an involuntary termination (as will be defined in the Archer Agreement) of Mr. Archer's employment either in contemplation of or within the 12 months following such change in control, Mr. Archer will receive (1) a lump-sum cash payment equal to twelve (12) months of Mr. Archer's base salary (without giving effect to any salary reduction program then in effect), plus an amount equal to the average of the last five years of payments earned by Mr. Archer under the annual incentive bonus programs of Lam Research and Novellus (the Short Term Program, and such average, the Five Year Average Amount), plus a pro rata amount of the Five Year Average Amount based on service during the year in which the termination date occurs; (2) payment of any amount earned under the Short Term Program but unpaid as of the termination date for the calendar year prior to the year in which the termination date occurs; (3) certain medical benefits; (4) full vesting of the unvested stock option/restricted stock unit awards granted to Mr. Archer prior to the change of control, excluding his prior Novellus awards (which are governed by their terms), and a two (2) year post-termination exercise period for such options; and (5) payment of any amount accrued as of the last full completed quarter prior to the change of control under the long-term incentive bonus program, plus an amount equal to the remaining target amount under the long-term incentive bonus program. If an Involuntary Termination (as defined in the Archer Agreement) of Mr. Archer's employment occurs, other than in connection with a change of control (as defined in the Archer Agreement), Mr. Archer will receive: (1) a lump-sum cash payment equal to twelve (12) months of base salary, plus an amount equal to 50% of the Five Year Average Amount; (2) a pro rata payment of the Short Term Program amount for the year in which the termination date occurs; (3) payment of any amounts earned under the Short Term Program but unpaid as of the termination date for the calendar year prior to the year in which the termination date occurs; (4) payment of any amounts accrued as of the last full completed quarter prior to the date of termination under any long-term incentive bonus program; (5) certain medical benefits; and (6) vesting of a pro rata portion of the unvested stock option/restricted stock unit awards granted to Mr. Archer at least twelve months prior to the termination date, excluding his prior Novellus awards (which are governed by their terms) and a two (2) year post-termination exercise period for such options. Lam Research may accelerate the vesting of additional stock options and restricted stock units in its discretion. Mr. Archer's agreement also subjects Mr. Archer to customary confidentiality and non-competition obligations during the term of his employment, and non-solicitation obligations during such term and for a period of six (6) months following the termination of his employment. The agreement also requires Mr. Archer to execute a release in favor of Lam Research to receive the severance payments described above.

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### **Board of Directors and Management Following the Merger**

Immediately following the effective time of the merger, the board of directors of the combined company will consist of the directors of Lam Research immediately prior to the closing of the merger and four additional directors to be mutually designated by Lam Research and Novellus. As of the date of this joint proxy statement/prospectus, Lam Research and Novellus have mutually agreed that Youssef A. El-Mansy, Krishna Saraswat, William R. Spivey, and Delbert A. Whitaker, each of whom is currently a director of Novellus, will be the designated directors. Upon appointment, each director will receive prorated annual compensation for their service as a director consistent with Lam Research's policies for compensation of non-employee directors. Lam Research has agreed to indemnify the designated directors on the same terms as the other non-employee directors of Lam Research.

Upon completion of the merger, the executive officers of Lam Research prior to the merger will continue to serve in their roles. Mr. Timothy Archer, Novellus' Chief Operating Officer, is expected to be appointed as Lam Research's Chief Operating Officer.

### **Regulatory Clearances Required for the Merger**

Lam Research and Novellus are required to submit notifications to various competition authorities prior to completing the merger. Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), Lam Research and Novellus must file notifications with the Federal Trade Commission and the Antitrust Division of the Department of Justice, and observe a mandatory pre-merger waiting period before completing the merger. On January 13, 2012, Novellus filed its notification under the HSR Act. On January 26, 2012, Lam Research filed its notification under the HSR Act. In addition, Lam Research and Novellus have submitted notifications with competition authorities in Germany, Korea, Taiwan and China. On February 3, 2012, Lam Research and Novellus were granted early termination of the waiting period under the HSR Act. On February 6, 2012, the Korean antitrust authority informed Lam Research and Novellus that it had approved the merger. On February 14, 2012, the German antitrust authority granted clearance for the merger. On March 5, 2012, the Taiwanese antitrust authority granted clearance for the merger.

While Lam Research and Novellus expect to obtain all required regulatory clearances, Lam Research and Novellus cannot assure you that the Federal Trade Commission, Antitrust Division or other government agencies, including state attorneys general or private parties, will not initiate actions to challenge the merger before or after it is completed. Any such challenge to the merger could result in a court order enjoining the merger or in a governmental agency or court imposing restrictions or conditions that would have a material adverse effect on the combined company if the merger were completed. Such restrictions and conditions could include requiring the divestiture or spin-off of assets or businesses, although the absence of any such restriction or condition is a condition to the completion of the merger. Neither Lam Research nor Novellus can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the merger.

### **Exchange of Shares in the Merger**

Prior to the effective time of the merger, Lam Research and Novellus will appoint an exchange agent to handle the exchange of shares of Novellus common stock for shares of Lam Research common stock. At the effective time of the merger, shares of Novellus common stock will be converted into the right to receive (i) shares of Lam Research common stock, (ii) cash in lieu of fractional shares (as described in detail below) and (iii) the amount of all dividends or other distributions with a record date after the date of the merger agreement without the need for any action by the holders of Novellus common stock.

As soon as reasonably practicable after the effective time of the merger, Lam Research will cause the exchange agent to send a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any Novellus shares shall pass, only upon proper delivery of certificates evidencing such shares or transfer of shares held in book-entry form to the exchange agent. The letter will also include instructions explaining the procedure for surrendering Novellus stock certificates or transferring Novellus shares held in book-entry form in exchange for shares of Lam Research common stock in book-entry form.

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After the effective time of the merger, shares of Novellus common stock will no longer be outstanding, will be automatically canceled and will cease to exist and each certificate or book-entry, if any, that previously represented shares of Novellus common stock will represent only the right to receive (i) shares of Lam Research common stock, (ii) cash in lieu of fractional shares (as described in detail below) and (iii) the amount of all dividends or other distributions with a record date after the date of the merger agreement. With respect to such shares of Lam Research common stock deliverable upon the surrender of Novellus stock certificates or transfer of Novellus shares held in book-entry form, until holders of such Novellus shares have surrendered such stock certificates or transferred shares held in book-entry form, as applicable, to the exchange agent for exchange, those holders will not receive dividends or distributions to which they are entitled with respect to such shares of Lam Research common stock.

Novellus shareholders will not receive any fractional shares of Lam Research common stock pursuant to the merger. Instead of any fractional shares, Novellus shareholders will be paid an amount in cash for such fraction calculated by multiplying the fractional share interest to which such holder would otherwise be entitled by the arithmetic average of the last report per share sales prices of Lam Research common stock on NASDAQ, as reported in the New York City edition of The Wall Street Journal for each of the five full consecutive trading days ending on the trading day immediately prior to the date on which the merger is effective.

Lam Research stockholders need not take any action with respect to their stock certificates.

### **Treatment of Lam Research Stock Options and Other Equity Awards**

The completion of the merger will not accelerate the vesting or settlement of any outstanding stock options or other equity awards granted under any of Lam Research's equity incentive plans, and all such stock options and other equity awards will continue to vest in accordance with their applicable terms.

### **Treatment of Novellus Stock Options and Other Long-Term Incentive Awards**

*Novellus Stock Options.* At the effective time of the merger, each Novellus stock option granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into an option to purchase shares of Lam Research common stock (each, an assumed stock option). Each assumed stock option will be subject to, and exercisable and vested on, the same terms and conditions applicable to such assumed stock option (including under the terms of the applicable Novellus stock plan, the applicable stock option agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each such assumed stock option will constitute an assumed stock option (i) to acquire that number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (x) the number of shares of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125; and (ii) with an exercise price per share of Lam Research common stock (rounded up to the nearest whole penny) equal to the quotient obtained by dividing (x) the exercise price per share of a share of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125.

At the effective time of the merger, each Novellus stock option granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus stock option or any other person terminate without payment of any consideration therefor.

*Novellus RSUs and Novellus PSUs.* At the effective time of the merger, each Novellus RSU granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into the right to receive shares of Lam Research common stock (each, an assumed RSU). Each assumed RSU will be subject to, and vested on, the same terms and conditions applicable to such assumed RSU (including under the terms of the applicable Novellus stock plan, the applicable restricted stock

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unit agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each assumed RSU will constitute an assumed RSU to acquire the number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (i) the number of shares of Novellus common stock subject to such assumed RSU immediately prior to the effective time of the merger by (ii) 1.125.

Per the terms and conditions applicable to Novellus RSUs and Novellus performance-based stock units ( Novellus PSUs ) granted under Novellus 2001 Stock Incentive Plan and the applicable award agreements, such Novellus RSUs and Novellus PSUs that are outstanding and unvested immediately prior to the effective time of the merger will vest in full immediately prior to but contingent upon the merger. Novellus PSUs that vest in connection with the consummation of the merger will become fully vested with respect to the maximum number of shares of Novellus common stock payable pursuant to such Novellus PSU. With respect to assumed RSUs granted under Novellus 2011 Stock Incentive Plan and held by current employees of Novellus as of the effective time of the merger, such awards will be assumed by Lam Research as described above and, per the terms and conditions applicable to such assumed RSUs under Novellus 2011 Stock Incentive Plan and the applicable award agreements, the holders, including Novellus executive officers, will be entitled to certain vesting acceleration in connection with certain terminations of employment, including a termination of the holder s employment without cause or a resignation for good reason on the date of or within twelve (12) months after the closing of the merger (as such terms are defined in the applicable award agreements). At the effective time of the merger, each Novellus RSU and each Novellus PSU granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus RSU or Novellus PSU or any other person, terminate without payment of any consideration therefor.

*Novellus Restricted Stock.* In connection with the consummation of the merger, each Novellus restricted stock award granted to a Novellus director and that is then outstanding will become vested and will be treated in the same manner as all other Novellus shares held by Novellus shareholders, as described in The Merger Agreement Terms of Merger; Merger Consideration below. Outstanding shares of restricted stock held by two of Novellus employees, including Mr. Hill, will be converted into shares of Lam Research common stock in the same manner as all other shares of Novellus common stock held by Novellus shareholders, except that the shares will continue to be subject to, and vest on, the same terms and conditions applicable thereto (including under the terms of the applicable Novellus stock plan, the applicable award agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger. Shares of restricted stock held by Mr. Hill will double trigger accelerate vesting in accordance with the terms of his Amended Agreement if Novellus (or a successor) terminates Mr. Hill s employment without cause or Mr. Hill resigns for good reason (as such terms are defined in the Amended Agreement).

### **Dividend Policy**

Lam Research does not currently pay quarterly cash dividends on shares of its common stock. Any future determination regarding dividend or distribution payments will be at the discretion of the Lam Research board of directors, subject to applicable limitations under Delaware law.

### **Listing of Lam Research Common Stock**

It is a condition to the completion of the merger that the shares of Lam Research common stock to be issued pursuant to the merger be authorized for listing on NASDAQ, subject to official notice of issuance.

### **De-Listing and Deregistration of Novellus Stock**

Novellus common stock is currently traded on NASDAQ under the symbol NVLS. Upon completion of the merger, Novellus common stock will cease to be listed on NASDAQ and will subsequently be deregistered under the Securities Exchange Act of 1934.

**Table of Contents****Advisory Vote Regarding Merger-Related Executive Compensation****Merger-Related Executive Compensation**

Novellus is required pursuant to Section 14A of the Exchange Act to include in this joint proxy statement/prospectus a non-binding, advisory vote on the compensation payable to each of its named executive officers (Richard S. Hill, Timothy M. Archer, Fusen E. Chen, John D. Hertz, and Andrew J. Gottlieb), as determined in accordance with Item 402(t) of Regulation S-K, in connection with the proposed merger pursuant to arrangements entered into with Novellus, and Novellus is therefore asking its shareholders to approve the following resolution:

RESOLVED, that the compensation that will or may become payable by Novellus to the named executive officers of Novellus as disclosed pursuant to Item 402(t) of Regulations S-K and as set forth in this proposal titled Advisory Vote Regarding Merger-Related Executive Compensation and as further described in the section titled Interests of Novellus Directors and Executive Officers in the Merger, is hereby approved.

The description of the payments contained in the section titled Interests of Novellus Directors and Executive Officers in the Merger as well as the table titled Merger-Related Executive Compensation therein are intended to comply with Item 402(t) of Regulation S-K, which requires disclosure of information about compensation for each of Novellus named executive officers that is based on or otherwise relates to the merger and will or may become payable either by Novellus or Lam Research. Novellus is asking its shareholders to approve the golden parachute compensation that will or may become payable by Novellus to each of its named executive officers as set forth in the table below and as described in the section titled Interests of Novellus Directors and Executive Officers in the Merger.

The table below reflects the compensation and benefits that will or may be paid or provided to each of Novellus named executive officers in connection with the merger in the circumstances described below. Except where noted, severance payments have been calculated based on the named executive officer's current compensation. Regardless of the manner in which a named executive officer's employment terminates, the executive is entitled to receive amounts already earned during his or her term of employment, such as base salary earned through the date of termination. Please note that the amounts indicated below are estimates based on the material assumptions described in the notes to the table below, which may or may not actually occur. Some of these assumptions are based on information currently available and, as a result, the actual amounts, if any, to be received by a named executive officer may differ in material respects from the amounts set forth below. Furthermore, for purposes of calculating such amounts, we have assumed a closing date of April 1, 2012, including with respect to calculating the portion of equity awards subject to acceleration of vesting (assuming continued vesting of Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock in accordance with the current vesting schedule applicable to such awards and assuming that all such awards remain outstanding immediately prior to April 1, 2012, to the extent not vested and settled pursuant to their terms before such date).

Name	Cash (\$)	Equity (\$) <sup>(1)</sup>	Pension/ NQDC (\$)	Perquisites/ Benefits (\$)	Tax Reimbursement (\$)	Other (\$)	Total (\$)
<b>Richard S. Hill</b>	4,888,263 <sup>(2)</sup>	13,471,608		426,902 <sup>(3)</sup>			18,786,773
<b>Timothy M. Archer</b>		6,664,322					6,664,322
<b>Fusen E. Chen</b>		5,003,701					5,003,701
<b>John D. Hertz</b>		3,678,360					3,678,360
<b>Andrew J. Gottlieb</b>		2,248,269					2,248,269

As described above, in accordance with Item 402(t) of Regulation S-K, this table only reflects compensation and benefits that may be paid or provided pursuant to arrangements with Novellus.

- (1) As described above, Novellus RSUs and Novellus PSUs issued under Novellus 2001 Stock Incentive Plan will single trigger accelerate vesting in connection with the merger. Novellus RSUs issued to named executive officers other than Mr. Hill under Novellus 2011 Stock Incentive Plan will double trigger



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accelerate vesting upon a termination without cause or resignation for good reason on or within twelve (12) months following the merger (as such terms are defined in the applicable award agreements). Novellus Stock Options, Novellus RSUs and Novellus Restricted Stock awards issued to Mr. Hill will double trigger accelerate in accordance with the terms of the Amended Agreement upon Mr. Hill's resignation for on or within two (2) years following the merger, with such a resignation qualifying as a resignation for good reason under the terms of the Amended Agreement. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination. The number of shares of Novellus common stock subject to Novellus Stock Options, Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards that will accelerate vesting in connection with the merger was determined assuming that the merger will occur on April 1, 2012 and that, where required for acceleration, the individual's employment is terminated without cause or a resignation for good reason in connection with the merger. Under the applicable award agreements and the Amended Agreement, an individual may be entitled to equivalent or lesser vesting acceleration upon certain other terminations of employment (e.g., death, disability, or retirement). The estimated value of the unvested Novellus Stock Options that will accelerate vesting in connection with the merger was determined by multiplying (A) the product of (i) the number of shares of Novellus common stock estimated to be subject to each unvested Novellus Stock Option as of immediately prior to April 1, 2012, and that will accelerate in connection with the merger (or upon a subsequent termination of employment), and (ii) 1.125, the exchange ratio, and (B) the excess of \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011) over the quotient obtained by dividing (i) the exercise price per share of such Novellus Stock Option by (ii) 1.125, the exchange ratio (with the result rounded up to the nearest dollar). The estimated total value of the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock that will accelerate vesting in connection with the merger was determined by multiplying (A) the product of (i) the sum of the number of shares of Novellus common stock estimated to be subject to the Novellus RSUs, Novellus PSUs and Novellus Restricted Stock awards as of immediately prior to April 1, 2012, and (ii) 1.125, the exchange ratio, and (B) \$35.95 (the estimated value of one share of Lam Research common stock based on the average closing price of Lam Research common stock on The NASDAQ Global Select Market over the five (5) trading days beginning on December 15, 2011, and ending on December 21, 2011), with the result rounded up to the nearest dollar. The following table sets forth the aggregate estimated value of acceleration of Novellus Stock Options, Novellus RSUs, Novellus PSUs, and Novellus Restricted Stock awards by single trigger and double trigger acceleration.

Name	Single Trigger (\$)	Double Trigger (\$)
<b>Richard S. Hill</b>	8,686,711	4,784,897
<b>Timothy M. Archer</b>	3,979,665	2,684,657
<b>Fusen E. Chen</b>	3,979,665	1,024,036
<b>John D. Hertz</b>	2,566,156	1,112,204
<b>Andrew J. Gottlieb</b>	1,506,530	741,739

- (2) Pursuant to the terms of Mr. Hill's Amended Agreement, upon Mr. Hill's termination of employment without cause, resignation for good reason (including a good reason termination on or within two (2) years following the merger), or due to disability or death, Mr. Hill will receive a lump-sum supplemental retirement benefit equal to sixty (60) times his highest base monthly salary paid during his employment, plus the positive difference (if any) between the (a) the cash surrender value of a life insurance policy with respect to Mr. Hill held by Novellus and (b) the foregoing supplemental retirement benefit. This amount is estimated to equal \$4,888,263 and is double trigger in nature to the extent payable in connection with Mr. Hill's resignation for good reason on or within two (2) years following the merger. The estimated total for Mr. Hill's supplemental retirement benefit assumes a monthly base salary of approximately

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- \$79,137.08 and that the life insurance policy held by Novellus with respect to Mr. Hill has a cash surrender value in the amount of \$4,888,263, which is the cash surrender value of the life insurance policy as of December 31, 2011. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill, while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination.
- (3) Pursuant to the terms of Mr. Hill's Amended Agreement, upon Mr. Hill's termination of employment without cause, resignation for good reason (including a good reason termination on or within two (2) years following the merger), or due to disability or death, Mr. Hill and his spouse will be provided healthcare benefits for the duration of their lifetimes under Novellus' Executive Officers' Medical and Dental Retirement Benefits Plan, without regard to any age or length of service limitation other than being an employee in good standing upon termination of employment. The Executive Officers' Medical and Dental Retirement Benefits Plan provides for medical and dental coverage that is substantially comparable to coverage provided to active employees for executive officers and their spouses for the duration of their lifetimes and for dependent minor children as defined by the plan. The significant assumptions used to calculate the present value of the accumulated benefit of Mr. Hill under the Executive Officers' Medical and Dental Retirement Benefits Plan include a discount rate of 5.10%, a projection of the RP 2000 mortality table used by sponsors of defined benefit pension plans for funding purposes, and a healthcare trend rate of 10% for 2012, with an ultimate health trend rate of 5%. This benefit is double trigger in nature to the extent payable in connection with Mr. Hill's resignation for good reason on or within two (2) years following the merger. Pursuant to the terms of Mr. Hill's Amended Agreement, this benefit is conditioned upon Mr. Hill's not competing with Novellus and not soliciting Novellus' employees or customers, to the extent any such customer was known to Mr. Hill while he was employed by Novellus to have been a customer, with respect to products or services competitive with those offered by Novellus, during the two (2) year period following his termination.

**Vote Required**

The vote regarding this proposal on merger-related executive compensation is a vote separate and apart from the vote on the proposal to adopt the merger agreement. Accordingly, Novellus' shareholders may vote to approve the proposal to adopt the merger agreement and vote not to approve the proposal on merger-related executive compensation and vice versa. Because the vote regarding merger-related executive compensation is advisory only, it will not be binding on either Novellus or Lam Research. Accordingly, if the merger agreement is adopted and the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the non-binding, advisory vote of Novellus' shareholders.

Approval of the merger-related executive compensation requires the affirmative vote of a majority of the shares of Novellus' common stock represented and voting (which shares voting affirmatively also constitute at least a majority of the required quorum) at the Novellus special meeting.

**The Novellus board of directors unanimously recommends a vote FOR this proposal on merger-related executive compensation for Novellus' named executive officers.**

**Dissenters' Rights for Novellus Shareholders**

Under Chapter 13 of the California Corporations Code (CCC), holders of Novellus common stock who do not wish to accept shares of Lam Research common stock in the merger may be entitled to dissenters' rights. In accordance with those provisions, dissenting Novellus shareholders may have the right to be paid in cash the fair market value of their Novellus common stock as determined by appraisal of the fair market value of such stock as of December 13, 2011, the last day before the first public announcement of the terms of the merger, by fully complying with the procedures set forth in the CCC. The failure of a dissenting Novellus shareholder to comply

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timely and properly with such procedures will result in the termination or waiver of such rights. See the section entitled Dissenters' Rights for Novellus Shareholders .

Under Delaware law, holders of Lam Research common stock are not entitled to appraisal rights in connection with the merger.

**Litigation Related to the Merger**

On December 15, 2011, a purported class action lawsuit was filed in California Superior Court for the County of Santa Clara, referred to hereinafter as the State Court, by Marla Skroch, an alleged shareholder of Novellus who seeks to represent a class comprised of Novellus shareholders. The complaint in this action, referred to herein as the Skroch complaint, names as defendants Novellus, the members of Novellus board of directors, and Lam Research. The Skroch complaint alleges that the director defendants breached fiduciary duties allegedly owed to Novellus' shareholders by entering into the acquisition agreement with Lam Research that was announced on December 14, 2011; that Lam Research and Novellus aided and abetted the alleged breaches of fiduciary duty; and that if the transaction is allowed to proceed, the shareholders will suffer damages because their shares will be acquired for less than their actual value. The plaintiff seeks an order of the State Court certifying the action as a class action; rescinding the transaction and/or preliminarily enjoining the defendants from consummating the transaction, and/or awarding attorney's fees and costs.

On December 19, 2011, a second purported class action was filed in the State Court by Michael Resing, an alleged shareholder of Novellus, who seeks to represent the same purported class. The complaint in this action, referred to herein as the Resing complaint, names as defendants the members of Novellus' board of directors, Novellus, Lam Research and Merger Sub. The allegations contained in the Resing complaint are largely similar to the allegations contained in the Skroch complaint, except that the Resing complaint also alleges that BLMS aided and abetted alleged breaches of fiduciary duty by the director defendants. The plaintiff seeks similar relief to that sought in the Skroch complaint.

On December 20, 2011 and December 28, 2011, two additional purported class action lawsuits were filed in the State Court by Louisiana Municipal Police Employees' Retirement System ( LMPERS ) and Nanette Ramsay, alleged shareholders of Novellus that seek to represent the same purported class. The complaints in these actions name as defendants the same parties named in the Resing complaint. The allegations and relief sought in these complaints are largely similar to the allegations and relief sought in each of the preceding complaints, except that the LMPERS complaint alleges that Novellus breached fiduciary duties allegedly owed to Novellus' shareholders, rather than aiding and abetting the alleged breaches of fiduciary duty, and both the LMPERS complaint and the Ramsay complaint also seek damages.

On February 3, 2012, Ms. Skroch filed an amended complaint, adding allegations that the defendants had further breached their fiduciary duties because the Registration Statement contained material omissions and misstatements.

Counsel for the parties in the four actions filed in the State Court have agreed, and the State Court has ordered, that these actions be consolidated into one action titled In re Novellus Systems, Inc. Litigation. On February 10, 2012, the State Court appointed co-lead counsel and liaison counsel for plaintiffs. Co-lead counsel and co-liaison counsel are required, pursuant to Court order dated January 30, 2012, to serve a consolidated and/or amended complaint as soon as practicable.

On January 5, 2012, a purported class action lawsuit was filed in the United States District Court for the Northern District of California, referred to hereinafter as the Federal Court, by Sunil Nagpal, an alleged shareholder of Novellus, who seeks to represent the same purported class. The complaint in this action names as defendants the same parties as the complaints in the Resing, LMPERS and Ramsay actions, as well as one former

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Novellus director, and the allegations and relief sought in this complaint are largely similar to the allegations and relief sought in each of the preceding complaints. On February 17, 2012, counsel for Mr. Nagpal filed a separate purported class action in Federal Court on behalf of James P. Tessitore, another alleged shareholder of Novellus, asserting the same claims, adding a claim that the individual defendants and Novellus violated Section 14(a) of the Securities and Exchange Act of 1934 and SEC Rule 14a-9 because the Registration Statement contained material misstatements and omissions, and adding a claim that the individual defendants were liable for these violations as control persons pursuant to Section 20(a) of the Exchange Act.

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**THE MERGER AGREEMENT**

The following section summarizes material provisions of the merger agreement, which is included in this joint proxy statement/prospectus as Annex A and is incorporated herein by reference in its entirety. The rights and obligations of Lam Research and Novellus are governed by the express terms and conditions of the merger agreement and not by this summary or any other information contained in this joint proxy statement/prospectus. Lam Research stockholders and Novellus shareholders are urged to read the merger agreement carefully and in its entirety as well as this joint proxy statement/prospectus before making any decisions regarding the merger, including the approval of the merger agreement and the principal terms thereof or the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger, as applicable.

The merger agreement is included in this joint proxy statement/prospectus to provide you with information regarding its terms and is not intended to provide any factual information about Lam Research or Novellus. Such information can be found elsewhere in this joint proxy statement/prospectus and in the other public filings Lam Research and Novellus make with the SEC, which are available without charge at [www.sec.gov](http://www.sec.gov).

The merger agreement contains representations and warranties by each of the parties to the merger agreement. These representations and warranties have been made solely for the benefit of the other parties to the merger agreement and:

may not be intended as statements of fact, but rather as a way of allocating the risk between the parties in the event the statements therein prove to be inaccurate;

have been qualified by certain confidential disclosure schedules that were exchanged between the parties in connection with the negotiation of the merger agreement, which disclosures are not reflected in the merger agreement itself; and

may apply standards of materiality in a way that is different from what may be viewed as material by you or other investors. The confidential disclosure schedules contain information that has been included in the general prior public disclosures of each of Lam Research and Novellus, as well as additional non-public information. While we do not believe that this non-public information is required to be publicly disclosed by Lam Research and Novellus under the applicable securities laws, that information does modify, qualify and create exceptions to the representations and warranties set forth in the merger agreement. In addition, these representations and warranties were made as of the date of the merger agreement or as of the date specified in the merger agreement. Information concerning the subject matter of the representations and warranties may have changed since the date of the merger agreement, which subsequent information may or may not be fully reflected in the public disclosures of Lam Research or Novellus. Moreover, representations and warranties are frequently utilized in merger agreements as a means of allocating risks, both known and unknown, rather than to make affirmative factual claims or statements. Accordingly, **YOU SHOULD NOT RELY ON THE REPRESENTATIONS AND WARRANTIES AS CURRENT CHARACTERIZATIONS OF FACTUAL INFORMATION ABOUT LAM RESEARCH OR NOVELLUS**, but instead should read such representations and warranties together with the information provided elsewhere in this joint proxy statement/prospectus and in the documents incorporated by reference into this joint proxy statement/prospectus. See the section entitled **Where You Can Find More Information** .

This summary is qualified in its entirety by reference to the merger agreement.

**Terms of the Merger; Merger Consideration**

The merger agreement provides that, on the terms and subject to the conditions set forth in the merger agreement and in accordance with the California Corporations Code ( CCC ), at the effective time of the merger, Merger Sub, a California corporation and wholly owned subsidiary of Lam Research, will merge with and into

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Novellus. Novellus will be the surviving corporation in the merger and will become a wholly owned subsidiary of Lam Research. At the effective time of the merger, each outstanding share of Novellus common stock (other than (i) shares owned by Lam Research, Merger Sub or any direct or indirect wholly owned subsidiary of Lam Research or Novellus, which will be canceled and cease to exist, and (ii) shares held by Novellus shareholders who voted against the merger and are entitled to and who have properly exercised and not withdrawn a demand for, or lost their right to, appraisal rights under the CCC, who will have the right to receive the payment described under Dissenters' Rights for Novellus Shareholders below) will be converted into the right to receive 1.125 shares of Lam Research common stock (the exchange ratio), with cash paid in lieu of fractional shares, plus the amount of any dividends or other distributions with a record date after the date of the merger agreement.

Lam Research will not issue fractional shares of Lam Research common stock pursuant to the merger agreement. Instead, each Novellus shareholder who otherwise would have been entitled to receive a fraction of a share of Lam Research common stock will receive in lieu thereof and, upon surrender of his or her shares of Novellus common stock, an amount in cash for such fraction calculated by multiplying the fractional share interest to which such holder would otherwise be entitled by the arithmetic average of the last reported per share sales prices of Lam Research common stock on NASDAQ, as reported in the New York City edition of The Wall Street Journal for each of the five full consecutive trading days ending on the trading day immediately prior to the date on which the merger is effective.

The exchange ratio will be adjusted appropriately and proportionately to fully reflect the effect of any stock dividend, subdivision, reorganization, reclassification, recapitalization, stock split, reverse stock split, combination, exchange of shares or other similar event with respect to the shares of either Lam Research common stock or Novellus common stock prior to the effective time of the merger.

### **Completion of the Merger**

Unless the parties agree otherwise or the merger agreement is terminated pursuant to its terms, the closing of the merger will take place no later than the second business day after all conditions to the completion of the merger have been satisfied or waived. The merger will be effective when the parties duly file an agreement of merger with the Secretary of State of the State of California, or at such later time as the parties agree and specify in such agreement of merger.

Lam Research and Novellus currently expect the closing of the merger to occur in the second quarter of 2012. However, as the merger is subject to various regulatory clearances and the satisfaction or waiver of other conditions described in the merger agreement, it is possible that factors outside the control of Lam Research and Novellus could result in the merger being completed at an earlier time, a later time or not at all.

### **Exchange of Shares in the Merger**

Prior to the effective time of the merger, Lam Research and Novellus will appoint an exchange agent to handle the exchange of shares of Novellus common stock for shares of Lam Research common stock. At the effective time of the merger, shares of Novellus common stock will be converted into the right to receive (i) shares of Lam Research common stock, (ii) cash in lieu of fractional shares and (iii) the amount of all dividends or other distributions with a record date after the date of the merger agreement without the need for any action by the holders of Novellus common stock.

Promptly, and in any event within five business days, after the effective time of the merger, Lam Research will cause the exchange agent to send a letter of transmittal specifying, among other things, that delivery will be effected, and risk of loss and title to any Novellus shares shall pass, only upon proper delivery of certificates evidencing such shares or transfer of shares held in book-entry form to the exchange agent. The letter will also include instructions explaining the procedure for surrendering Novellus stock certificates or transferring shares held in book-entry form in exchange for shares of Lam Research common stock in book-entry form.

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After the effective time of the merger, except for shares held by Novellus shareholders that qualify for the rights described under Dissenters Rights for Novellus Shareholders below, shares of Novellus common stock will no longer be outstanding, will be automatically canceled and will cease to exist and each certificate or book-entry, if any, that previously represented shares of Novellus common stock will represent only the right to receive (i) shares of Lam Research common stock, (ii) cash in lieu of fractional shares and (iii) the amount of all dividends or other distributions with a record date after the date of the merger agreement upon surrender of such certificates or transfer of shares held in book-entry form, as applicable. With respect to such shares of Lam Research common stock deliverable upon the surrender of Novellus shares, until holders of such Novellus shares have surrendered stock certificates evidencing such shares or transferred shares held in book-entry form to the exchange agent for exchange, those holders will not receive dividends or distributions to which they are entitled with respect to such shares of Lam Research common stock.

Shares held by Novellus shareholders who voted against the merger and are entitled to and who have properly exercised and not withdrawn a demand for, or lost their right to, dissenters rights under the CCC, will have the right to receive the payment described under Dissenters Rights for Novellus Shareholders below. At the effective time of the merger, except as expressly limited by the CCC, the holders of such shares will continue to have all the rights and privileges incident to their shares until their dissenters rights are agreed upon or determined. Novellus will provide Lam Research with notice of any demands for dissenters rights or attempted withdrawals of such demands, and Lam Research has the right to participate in all negotiations and proceedings with respect to demands for appraisal under the CCC. Novellus will not, except with Lam Research's prior written consent or as otherwise required by law, voluntarily make any payment with respect to any demand for dissenters rights made by a Novellus shareholders or settle or offer to settle any such dissenters rights. These dissenters rights in general are discussed more fully under Dissenters Rights for Novellus Shareholders below.

**Representations and Warranties**

The merger agreement contains largely reciprocal representations and warranties. Each of Lam Research and Novellus have made representations and warranties regarding, among other things:

organization, standing and corporate power;

ownership of subsidiaries;

capital structure;

authority with respect to the execution and delivery of the merger agreement, and the due and valid execution and delivery and enforceability of the merger agreement;

absence of conflicts with, or violations of, organizational documents, other contracts and applicable laws;

required regulatory filings and consents and approvals of governmental entities;

SEC documents and financial statements;

absence of undisclosed liabilities and off-balance-sheet arrangements;

brokers fees payable in connection with the merger;

absence of certain changes and events from the date of Lam Research's or Novellus' most recent balance sheet filed with the SEC (which was September 25, 2011 for Lam Research and September 24, 2011 for Novellus) to the date of execution of the merger agreement;

absence of certain litigation;

tax matters;

benefits matters and ERISA compliance;



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collective bargaining agreements and other labor matters;

internal controls and disclosure controls and procedures;

compliance with applicable laws, NASDAQ listing rules and permits;

material contracts;

environmental matters;

insurance matters;

title to properties and assets;

inapplicability of state takeover statutes;

accuracy of information supplied or to be supplied for use in this joint proxy statement/prospectus;

compliance with the Foreign Corrupt Practices Act and other similar laws;

absence of transactions, contracts or arrangements with affiliates requiring disclosure under the securities laws;

intellectual property; and

opinions from financial advisors.

Many of the representations and warranties in the merger agreement are qualified by a materiality or material adverse effect standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect). For purposes of the merger agreement, a material adverse effect means, with respect to a party, any event, condition, circumstance, development, state of facts, change or effect that, individually or taken together, is, or would reasonably be expected to be, materially adverse to (i) such party's ability to consummate the merger or (ii) the business, assets, properties, condition (financial or otherwise) or results of operations of such party and its subsidiaries, taken as a whole, except that the definition of material adverse effect excludes any effect that results from or arises in connection with:

changes or conditions generally affecting the industries in which such party and any of its subsidiaries operate (unless such changes or conditions have a disproportionate effect in any material respect relative to other companies of comparable size in the same industries and geographies in which such party operates);

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general economic or political conditions (including acts of war, sabotage or terrorism and any escalations or general worsening of any such acts of war, sabotage or terrorism) or securities, credit, currency or other financial market conditions in the U.S. or any foreign jurisdiction (unless such changes or conditions have a disproportionate effect in any material respect relative to other companies of comparable size in the same industries and geographies in which such party operates);

earthquakes, hurricanes, tsunamis, tornadoes, floods, mudslides, wild fires or other natural disasters, weather conditions and other force majeure events in the United States or any other country (unless such events have a disproportionate effect in any material respect relative to other companies of comparable size in the same industries and geographies in which such party operates);

changes in the such party's stock price or the trading volume of such party's stock, or any failure by such party to meet any public or internal estimates or expectations in respect of revenues, earnings or other financial or operating metrics for any period (however, the facts or occurrences giving rise to such failure may be deemed to constitute or be taken into account in determining whether there has been or will be a material adverse effect);

the public announcement or pendency of the merger or any of the other transactions contemplated by the merger agreement, including, but only to the extent related to the announcement of the merger

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agreement or the pendency or consummation of the transactions contemplated thereby, the identity of the other party in the merger, the loss or departure of officers or other employees of such party, the termination or potential termination of (or the failure or potential failure to renew or enter into) any contracts with customers, suppliers, distributors, resellers, licensors or other business partners, any other negative development (or potential negative development) in such party's relationships with any of its customers, suppliers, distributors, resellers, licensors or other business partners, and any decline or other degradation in such party's customer bookings;

any action taken or failure to take action by a party that was approved, consented to or requested by the other party;

any change in applicable law, regulation or GAAP or other accounting standard (or authoritative interpretation thereof); or

any lawsuit, action or proceeding brought by current or former stockholders of such party in connection with the merger and the other transactions contemplated by the merger agreement.

The representations and warranties contained in the merger agreement will not survive the completion of the merger.

**Conduct of Business**

Each of Lam Research and Novellus has agreed to certain covenants in the merger agreement restricting the conduct of its business between the date of the merger agreement and the effective time of the merger. In general, each of Lam Research and Novellus has agreed to use commercially reasonable efforts to (i) conduct its business in the ordinary course, in a manner consistent with past practice and (ii) preserve substantially intact its business organization and advantageous business relationships and retain the services of its officers and key employees.

In addition, each of Lam Research and Novellus has agreed to specific restrictions relating to the conduct of its business between the date of the merger agreement and the effective time of the merger, including, but not limited to, the following (subject, in each case, to exceptions specified below and in the merger agreement or previously disclosed in writing to the other party as provided in the merger agreement):

amending its charter, bylaws or equivalent organizational documents;

issuing, delivering, selling, granting, pledging or otherwise encumbering shares of its capital stock, or other voting securities or equity interests;

merging or consolidating with any person or transferring, leasing, selling, pledging, licensing, or otherwise disposing of any of its material assets or properties, except for the sale of inventory in the ordinary course of business and in a manner consistent with past practice;

making, declaring or paying dividends or other distributions on any of its capital stock;

reclassifying, combining, splitting, or subdividing any of its capital stock;

making any acquisition, loan or capital expenditure in excess of certain thresholds specified in the merger agreement;

increasing the compensation payable to its directors, officers or other employees;

cancelling or forgiving any indebtedness;

making any material change with respect to accounting policies or procedures (including procedures with respect to the payment of accounts payable, collection of accounts receivable and the revaluation of any assets) except as may be required as a result of a change in applicable law or GAAP;

changing any tax election, filing any amended tax return, settling any tax claim or assessment, or consenting to any extension or waiver of the limitation period applicable to any tax claim or assessment;

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commencing lawsuits in excess of certain thresholds specified in the merger agreement;

granting any assignment, license, covenant, release, immunity or other right with respect to any intellectual property rights (other than certain outbound license agreements in the ordinary course of business consistent with past practice);

taking any action that would be reasonably expected to result in any of the conditions described under Conditions to Completion of the Merger below not being satisfied or that would impair its ability to consummate the merger or materially delay such consummation; and

announcing an intention to enter into, or entering into any contract or otherwise make a commitment to do any of the foregoing. In addition, Novellus has further agreed to additional specific restrictions relating to the conduct of its business between the date of the merger agreement and the effective time of the merger, including, but not limited to, the following (subject, in each case, to exceptions specified below and in the merger agreement or previously disclosed in writing to the other party as provided in the merger agreement):

redeeming, purchasing or otherwise acquiring its own capital stock or other voting securities or equity interests;

incurring any indebtedness, except for indebtedness incurred (i) in the ordinary course of business under letters of credit, lines of credit or other credit facilities in effect on the date the merger agreement was signed or issuances or repayment of commercial paper in the ordinary course of business or (ii) outside the ordinary course of business up to \$5 million individually or \$10 million in the aggregate;

making any capital or equity investments in any entity other than a wholly owned subsidiary or entering into joint ventures or strategic alliances;

increasing or accelerating any benefits provided to directors, officers or employees or establishing or amending employee benefit plans;

granting any severance, termination or similar payments to directors, officers or employees;

hiring employees at a level of Vice President or higher, implementing a material organizational restructuring or conducting any reduction in labor force or other program or effort concerning the termination of employment of employees;

settling material claims, actions or proceedings, except settlements in the ordinary course of business, settlements subject to (and not materially in excess of) reserves, settlements covered by insurance and settlements not involving the payment of money in excess of \$2.5 million;

entering into or amending material contracts; and

entering into contracts that provide another person most-favored nation, exclusive marketing or other exclusive rights or that otherwise restrict in a material respect its ability to engage or compete in any material line of business.

**No Solicitation of Alternative Proposals**

Each of Lam Research and Novellus has agreed that, from the time of the execution of the merger agreement until the earlier of the termination of the merger agreement or the completion of the merger, it will not and it will cause its subsidiaries not to, and will not authorize or knowingly permit its directors, officers, employees, authorized agents (including financial and legal advisors) or other representatives to, directly or indirectly, (i) solicit, initiate or knowingly encourage or facilitate an acquisition proposal (as defined below), or (ii) enter into, continue or otherwise participate in any discussions or negotiations regarding, or furnish any non-public information to, any third party that is seeking to make, or has made, an acquisition proposal.

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An acquisition proposal with respect to a party means any proposal, offer or indication of interest (whether or not in writing) relating to (i) any acquisition or purchase by any third party of (A) assets (including equity securities of any subsidiary of such party) or businesses that constitute or generate 10% or more of the revenues, net income or assets of such party and its subsidiaries on a consolidated basis or (B) beneficial ownership of 10% or more of any class of equity securities of such party, (ii) any purchase or sale of, or tender offer or exchange offer for, equity securities of such party by any third party that, if consummated, would result in any person beneficially owning 10% or more of any class of equity securities of such party, or (iii) any merger, consolidation, business combination, recapitalization, liquidation, dissolution, share exchange or similar transaction involving such party immediately following the consummation of which the shareholders of such party immediately prior to the consummation of such transaction would beneficially own in the aggregate less than 90% of such party's common stock or the total voting power of the surviving or resulting entity of such transaction (or parent entity of such surviving or resulting entity).

Notwithstanding the restrictions described above, prior to obtaining the relevant stockholder approval, the board of directors of each of Lam Research and Novellus is permitted to furnish information with respect to Lam Research or Novellus, as applicable, and enter into discussions with, and only with, a person who has made an unsolicited bona fide written acquisition proposal if the board of directors of such party (i) determines in good faith (after consultation with its outside legal counsel and a financial advisor of nationally recognized reputation) that such acquisition proposal is or is reasonably likely to lead to a superior proposal, and (ii) obtains from such person an executed confidentiality agreement at least as restrictive as the confidentiality agreement between Lam Research and Novellus. A superior proposal with respect to a party means a bona fide written proposal from any person to acquire, directly or indirectly, including pursuant to a tender offer, exchange offer, merger consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction, for consideration consisting of cash and/or securities, all of the combined voting power of such party then outstanding or all or substantially all of the assets of such party (i) that such party's board of directors determines in its good faith judgment (after consulting with and receipt of written advice from a nationally recognized investment banking firm), taking into account all legal, financial and regulatory and other aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation), would be more favorable to the stockholders or shareholders of such party than the merger (including any adjustment to the terms and conditions proposed in a written, binding and irrevocable offer by the other party in response to such acquisition proposal to the extent permitted) and is reasonably likely to receive all required material governmental approvals on a timely basis and otherwise reasonably capable of being consummated on the terms proposed, and (ii) for which financing, to the extent required, is then committed.

The merger agreement requires that the parties notify each other within 24 hours of the receipt of any acquisition proposal. Any such notification shall include the material terms and conditions of any such acquisition proposal and the identity of the person making the acquisition proposal and a copy of any written acquisition proposal (or written summary of any oral acquisition proposal). In addition, the merger agreement requires the parties to (i) continue to update each other on the status of and any material changes to any acquisition proposal, and (ii) provide each other 24 hours prior notice of any meeting of a party's board of directors at which an acquisition proposal is expected to be considered (or such lesser prior notice as is provided to the members of any such board of directors). The merger agreement also requires both Lam Research and Novellus to cease, and cause to be terminated, all discussions or negotiations with any person conducted prior to the execution of the merger agreement with respect to any acquisition proposal.

**Changes in Board Recommendations**

The board of directors of each of Lam Research and Novellus has agreed that it will not (i) fail to make, or withdraw, modify or amend, or publicly propose to withdraw, modify or amend, in any manner adverse to the other party, the recommendation, approval or declaration of advisability by such board with respect to the transactions contemplated by the merger agreement, as applicable, (ii) fail to make a statement in opposition and recommend rejection to such board's stockholders of a tender or exchange offer initiated by a third party within 10 business days after such tender or exchange offer has been published, sent or given by such third party, or (iii) approve or recommend, or publicly propose to approve or recommend, any acquisition proposal.

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Notwithstanding the restrictions described above, at any time prior to obtaining the relevant stockholder approval, the board of directors of Lam Research or Novellus, as applicable, may withdraw or modify its recommendation or recommend an acquisition proposal if such board determines in good faith (after consultation with outside legal counsel and a financial advisor of nationally recognized reputation) that the failure to do so would be reasonably likely to constitute a breach of the board's fiduciary duties. Prior to taking any such action, such board of directors must inform the other party in writing of its decision to change its recommendation, provide the material terms and conditions of any acquisition proposal to the other party if an acquisition proposal has been made prior to such action and, in any event, allow 5 days to elapse following the other party's receipt of such written notice, during which time the other party may negotiate changes to the merger agreement. If such changes result in the third-party proposal no longer constituting a superior proposal, then such board of directors may not change its recommendation.

If the board of directors of Lam Research or Novellus withdraws or modifies its recommendation, such board of directors will nevertheless continue to be obligated to hold its stockholders or shareholders meeting and submit the proposal described in this joint proxy statement/prospectus to its stockholders or shareholders for their vote, as applicable, unless the merger agreement has been earlier terminated in accordance with its terms.

**Efforts to Obtain Required Stockholder Votes**

Lam Research has agreed to hold a special stockholders meeting for the purpose of voting on the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger. Lam Research has also agreed to use its reasonable best efforts to obtain stockholder approval for the proposal to approve the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger unless its board of directors no longer recommends the proposal, unless the merger agreement has been earlier terminated in accordance with its terms. The merger agreement requires Lam Research to hold its special stockholders meeting and submit this proposal to a stockholder vote even if its board of directors no longer recommends the proposal. The Lam Research board of directors has approved the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger and has adopted resolutions directing that such proposals be submitted to Lam Research stockholders for their consideration.

Novellus has agreed to hold a special shareholders meeting for the purpose of voting on the proposal to approve the merger, the merger agreement and the principal terms thereof. Novellus has also agreed to use its reasonable best efforts to obtain shareholder approval for the proposal to approve the merger, the merger agreement and the principal terms thereof unless its board of directors no longer recommends the proposal, unless the merger agreement has been earlier terminated in accordance with its terms. The merger agreement requires Novellus to hold its special shareholders meeting and submit this proposal to a shareholder vote even if its board of directors no longer recommends the proposal. The Novellus board of directors has approved the merger, the merger agreement and the principal terms thereof and has adopted resolutions directing that such proposal be submitted to Novellus shareholders for their consideration.

**Efforts to Complete the Merger**

Lam Research and Novellus have each agreed to take (or cause to be taken) all actions, and do (or cause to be done), and assist and cooperate with the other party or parties in doing, all things necessary, proper or advisable under applicable law or otherwise to consummate and make effective, in the most expeditious manner practicable, the merger, including:

using their respective reasonable best efforts to cause the conditions to the merger described under [Conditions to Completion of the Merger](#) below to be satisfied;

using their respective reasonable best efforts to obtain all actions or nonactions, consents, waivers, approvals, orders and authorizations from governmental authorities, give all notices to governmental authorities, and make all registrations, declarations and filings with governmental authorities, that are necessary to consummate the merger; and



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using their respective commercially reasonable efforts to obtain all consents, waivers and approvals under any of Novellus' material contracts in connection with the merger agreement and the consummation of the merger so as to maintain and preserve the benefits under such contracts as of the consummation of the merger.

In addition to the foregoing, Lam Research and Novellus have each agreed not to take any action, or fail to take any action, that is intended to, or has (or would reasonably be expected to have) the effect of, preventing, impairing, delaying or otherwise adversely affecting the consummation of the merger or the ability of such party to fully perform its obligations under the merger agreement.

Additionally, Lam Research and Novellus have each agreed to:

cooperate fully with each other and furnish to the other such necessary information and reasonable assistance as the other may reasonably request in connection with its preparation of merger notification filings, and all other documents and information to be filed in connection therewith, required under the antitrust laws of certain jurisdictions;

use its reasonable best efforts to respond promptly to and comply with any request for information regarding the merger or any merger notification filings from any governmental authority charged with enforcing, applying, administering, or investigating any antitrust laws;

keep the other party reasonably informed of any communication received by such party from, or given by such party to, any antitrust governmental authority regarding the merger, and any communication received or given in connection with any proceeding by a private party regarding the merger, in each case in a manner that protects attorney-client or attorney work product privilege;

provide copies of any written communications received from or given to any antitrust governmental authority unless prohibited by applicable law; and

permit the other party to review and incorporate the other party's reasonable comments in any communication given by it to any governmental authority or in connection with any proceeding by a private party related to antitrust laws with any other person, in each case regarding the merger and in a manner that protects attorney-client or attorney-work product privilege.

Notwithstanding the foregoing, Lam Research is not required under the merger agreement to agree to any license, sale, divestiture or other disposition of any of its or Novellus' assets or operations in connection with obtaining approval of the merger from any antitrust governmental authorities. Novellus has agreed (i) not to license, sell, divest or otherwise dispose of any of its assets or operations in connection with obtaining approval of the merger from any antitrust governmental authorities without Lam Research's prior written consent and (ii) if requested by Lam Research, to use reasonable best efforts to effect a license, sale, divestiture or other disposition of any of its assets or operations that is necessary to obtain clearances or approvals required for the completion of the merger under applicable antitrust laws, so long as such action is conditioned on the completion of the merger.

### **Governance Matters After the Merger**

Immediately following the effective time of the merger, the board of directors of Lam Research will consist of the directors of Lam Research immediately prior to the closing of the merger and four additional directors to be mutually designated by Lam Research and Novellus. As of the date of this joint proxy statement/prospectus, Lam Research and Novellus have mutually agreed that Youssef A. El-Mansy, Krishna Saraswat, William R. Spivey, and Delbert A. Whitaker, each of whom is currently a director of Novellus, will be the designated directors. Upon appointment, each director will receive prorated annual compensation for their service as a director consistent with Lam Research's policies for compensation of non-employee directors. Lam Research has agreed to indemnify the designated directors on the same terms as the other non-employee directors of Lam Research.

Upon completion of the merger, Mr. Archer will serve as Lam Research's Chief Operating Officer.



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**Employee Benefits Matters**

Lam Research and Novellus have agreed that, from the date of completion of the merger until December 31, 2012, Lam Research (i) will not reduce the base compensation or incentive compensation opportunities of any Novellus employees who remain employed by the surviving corporation following the merger and (ii) will cause the surviving corporation to maintain for the Novellus employees who remain employed by the surviving corporation certain employee benefit plans pursuant to their terms in effect immediately prior to the effective time of the merger, except to the extent any such plan must be amended to comply with applicable law.

Lam Research and Novellus have also agreed that to the extent that any Novellus employees who remain employed by the surviving corporation following completion of the merger participate in Lam Research's employee benefit plans for United States employees, service with Novellus prior to the effective time of the merger shall be treated as service with Lam Research for vesting and eligibility purposes (but not for accrual purposes, except for vacation and severance, if applicable). In addition, to the extent not prohibited by an insurer or service provider under any Lam Research employee benefit plan for United States employees, Lam Research will waive, or cause to be waived, any pre-existing condition limitation, exclusions, actively-at-work requirements and waiting periods under any such plan in which Novellus employees who remain employed by the surviving corporation following completion of the merger (and their eligible dependents) will be eligible to participate following the merger, except to the extent that such pre-existing condition limitation, exclusions, actively-at-work requirements and waiting periods would have been applicable under the comparable Novellus employee benefit plan immediately prior to the completion of the merger.

Lam Research and Novellus have agreed that nothing in the merger agreement will require Lam Research to continue the employment of any specific person following the completion of the merger.

**Treatment of Novellus Stock Options and Other Stock Based Awards**

*Novellus Stock Options.* At the effective time of the merger, each Novellus stock option granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into an option to purchase shares of Lam Research common stock (each, an assumed stock option). Each assumed stock option will be subject to, and exercisable and vested on, the same terms and conditions applicable to such assumed stock option (including under the terms of the applicable Novellus stock plan, the applicable stock option agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each such assumed stock option will constitute an assumed stock option (i) to acquire that number of shares of Lam Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (x) the number of shares of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125; and (ii) with an exercise price per share of Lam Research common stock (rounded up to the nearest whole penny) equal to the quotient obtained by dividing (x) the exercise price per share of a share of Novellus common stock subject to such assumed stock option immediately prior to the effective time of the merger by (y) 1.125.

At the effective time of the merger, each Novellus stock option granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus stock option or any other person, terminate without payment of any consideration therefor.

*Novellus RSUs and Novellus PSUs.* At the effective time of the merger, each Novellus RSU granted to a then-current employee of Novellus and then outstanding, whether vested or not, will be assumed by Lam Research and converted into the right to receive shares of Lam Research common stock (each, an assumed RSU). Each assumed RSU will be subject to, and vested on, the same terms and conditions applicable to such assumed RSU (including under the terms of the applicable Novellus stock plan, the applicable restricted stock unit agreement and any other applicable Novellus plan) as of immediately prior to the effective time of the merger, except that each assumed RSU will constitute an assumed RSU to acquire the number of shares of Lam

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Research common stock (rounded down to the nearest whole share) equal to the product obtained by multiplying (i) the number of shares of Novellus common stock subject to such assumed RSU immediately prior to the effective time of the merger by (ii) 1.125.

Novellus performance-based stock units ( PSUs ) that vest in connection with the consummation of the merger will become fully vested with respect to the maximum number of shares of Novellus common stock payable pursuant to such Novellus PSU.

At the effective time of the merger, each Novellus RSU and each Novellus PSU granted to a then-former employee of Novellus that remains outstanding, whether vested or not, will, by virtue of the merger and without any action on the part of Lam Research, Novellus, the holder of such Novellus RSU or Novellus PSU or any other person, terminate without payment of any consideration therefor.

*Novellus Restricted Stock.* In connection with the consummation of the merger, each Novellus restricted stock award granted to a Novellus director and that is then outstanding will become vested and will be treated in the same manner as all other Novellus shares held by Novellus shareholders, as described under Terms of Merger; Merger Consideration above.

## **Other Covenants and Agreements**

The merger agreement contains certain other covenants and agreements, including covenants relating to:

cooperation between Lam Research and Novellus in the preparation of this joint proxy statement/prospectus;

confidentiality and access by each party to certain information about the other party during the period prior to the effective time of the merger;

the use of each party's reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of the Code;

cooperation between Lam Research and Novellus in the defense or settlement of any litigation brought by Novellus shareholders relating to the merger;

causing any dispositions of Novellus common stock resulting from the merger and any acquisitions of Lam Research common stock resulting from the merger by each individual who may become subject to reporting requirements under the securities laws to be exempt from Section 16(b) of the Exchange Act;

Lam Research entering into a supplemental indenture with respect to Novellus convertible securities such that the securities will be convertible into Lam Research common stock, accounting for the exchange ratio;

cooperation between Lam Research and Novellus in connection with public announcements; and

cooperation between Lam Research and Novellus to facilitate the integration of the business and operations of Lam Research and Novellus as quickly as possible following the effective time of the merger.

Lam Research has also agreed to assume all rights to indemnification, advancement of expenses and exculpation from liabilities for acts or omissions occurring at or prior to the effective time of the merger existing in favor of the current or former directors and officers and certain current or former employees of Novellus. Lam Research has also agreed to purchase a directors' and officers' liability insurance policy for current and former directors and officers of Novellus and a policy providing similar insurance for certain current and former employees of Novellus.



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**Conditions to Completion of the Merger**

The obligations of Lam Research and Novellus to complete the merger are subject to the satisfaction of the following conditions:

approval of the merger, the merger agreement and the principal terms thereof by holders of a majority of the outstanding shares of Novellus common stock entitled to vote thereon;

approval of the issuance of shares of Lam Research common stock to Novellus shareholders pursuant to the merger by holders of a majority of the shares of Lam Research common stock present in person or represented by proxy and entitled to vote thereon;

authorization for the listing on the NASDAQ of the shares of Lam Research common stock to be issued to Novellus shareholders pursuant to the merger;

effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part and the absence of a stop order or proceedings threatened or initiated by the SEC relating thereto;

absence of any law or any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction preventing the consummation of the merger;

absence of any law enacted and enforced by any governmental authority prohibiting or limiting the ownership or operation by Lam Research or Novellus of any material portion of their businesses or assets, or compelling Lam Research or Novellus to dispose of or hold separate any material portion of their businesses or assets as a result of the merger or the transactions contemplated by the merger agreement or which otherwise is reasonably likely to have or result in, individually or in the aggregate, a material adverse effect on Lam Research or Novellus, as applicable;

the waiting period (and any extension thereof) applicable to the merger under the antitrust laws of the United States having expired or been earlier terminated; and

any required waiting periods, clearances, consents or approvals under certain foreign antitrust laws having expired, been obtained or been terminated, as the case may be.

In addition, each of Lam Research's and Novellus's obligations to effect the merger is subject to the satisfaction or waiver of the following additional conditions:

the representations and warranties of the other party, other than the representations related to capitalization, authority with respect to the execution and delivery of the merger agreement, the vote required to approve the transactions contemplated by the merger agreement and brokers' fees payable in connection with the merger will be true and correct (without giving effect to any materiality or material adverse effect qualifications contained in such representations and warranties) at and as of the effective time of the merger as though made on or as of such time (except for those representations and warranties that address matters only as of a particular date or only with respect to a specified period of time, that need only be true and correct as of such particular date or with respect to such specified period), except where the failure of such representations and warranties to be so true and correct, individually or in the aggregate, has not had and would not reasonably be expected to have a material adverse effect on the other party;

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the representations and warranties of the other party relating to capitalization (other than the shares of capital stock issued and outstanding), authority with respect to the execution and delivery of the merger agreement, the vote required to approve the transactions contemplated by the merger agreement and brokers' fees payable in connection with the merger will be true and correct (without giving effect to any materiality or material adverse effect qualifications contained in such representations and warranties) in all material respects at and as of the effective time of the merger as though made on or as of such date (except for those representations and warranties that address matters only as of a particular date or only with respect to a specified period of time, that need only be true and correct in all material respects as of such particular date or with respect to such specified period);

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the representations and warranties of the other party relating to the shares of capital stock will be true and correct and, to the extent that the representation relates to the number of shares of common stock that are outstanding on a fully diluted basis as of December 13, 2011, will be true and correct other than an excess number of fully-diluted shares as of such date, that does not exceed 500,000;

the other party having performed or complied with, in all material respects, all its obligations under the merger agreement at or prior to the consummation of the merger;

the absence since the date of the merger agreement of any event or condition that has had or would reasonably be expected to have a material adverse effect on the other party;

receipt of a certificate executed by the other party's chief executive officer and chief financial officer as to the satisfaction of the conditions described in the preceding five bullets; and

receipt of a tax opinion from such party's tax counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code and that each of Lam Research, Novellus and Merger Sub will be a party to the reorganization within the meaning of Section 368(b) of the Code.

Lam Research's obligation to effect the merger is further subject to the satisfaction or waiver of the following additional conditions:

if the Novellus shareholders are entitled to exercise dissenters' rights under the CCC, the number of shares of Novellus common stock for which the holders thereof have made written demand for dissenters' rights under the CCC does not exceed 10% of the outstanding shares of Novellus common stock; and

the product of

(i) \$35.31 (which was the closing price of Novellus common stock on the NASDAQ on the day immediately prior to the announcement of the merger) minus (ii) the arithmetic average of the last reported per share sales prices of Lam Research common stock on NASDAQ, as reported in the New York City edition of The Wall Street Journal for each of the five full consecutive trading days ending on the trading day immediately prior to the date on which the merger is effective multiplied by the exchange ratio,

multiplied by,

(ii) the number of shares of Novellus common stock for which the holder thereof has made written demand for dissenters' rights under the CCC,