LAM RESEARCH CORP
Form DEF 14A
September 21, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

þ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

LAM RESEARCH CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

September 21, 2015

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2015 Annual Meeting of Stockholders. The annual meeting will be held on Wednesday, November 4, 2015, at 9:30 a.m. Pacific Standard Time in the Building CA1 Auditorium at the principal executive offices of Lam Research Corporation, which is located at 4650 Cushing Parkway, Fremont, California 94538.

At this year s annual meeting, stockholders will be asked to elect the nine nominees named in the attached proxy statement as directors to serve for the ensuing year, and until their respective successors are elected and qualified; to cast an advisory vote to approve the compensation of our named executive officers, or Say on Pay ; to approve the Lam 2004 Executive Incentive Plan, as amended and restated; to approve the adoption of the Lam 2015 Stock Incentive Plan; and to ratify the appointment of the independent registered public accounting firm for fiscal year 2016. The Board of Directors recommends that you vote in favor of all five proposals. Management will not provide a business update during this meeting; please refer to our latest quarterly earnings report for our current outlook.

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

Sincerely yours,

Lam Research Corporation

Stephen G. Newberry

Chairman of the Board

Notice of 2015 Annual Meeting of Stockholders

4650 Cushing Parkway

Fremont, California 94538

Telephone: 510-572-0200

Date and Time Wednesday, November 4, 2015
9:30 a.m. Pacific Standard Time

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

Items of Business

1. Election of nine directors to serve for the ensuing year, and until their respective successors are elected and qualified
2. Advisory vote to approve the compensation of our named executive officers, or Say on Pay
3. Approval of the Lam 2004 Executive Incentive Plan, as amended and restated
4. Approval of the adoption of the Lam 2015 Stock Incentive Plan
5. Ratification of the appointment of independent registered public accounting firm for fiscal year 2016
6. Transact such other business that may properly come before the annual meeting (including any adjournment or postponement thereof)

Record Date

Only stockholders of record at the close of business on September 8, 2015, the Record Date, are entitled to notice of and to vote at the annual meeting.

Voting

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

Internet Availability of Proxy Materials

Our Notice of 2015 Annual Meeting of Stockholders, Proxy Statement and Annual Report to Stockholders are available on the Lam Research website at *http://investor.lamresearch.com* and at *www.proxyvote.com*.

By Order of the Board of Directors

Sarah A. O Dowd

Secretary

This proxy statement is first being made available and/or mailed to our stockholders on or about September 21, 2015.

LAM RESEARCH CORPORATION

Proxy Statement for 2015 Annual Meeting of Stockholders

TABLE OF CONTENTS

Proxy Statement Summary

To assist you in reviewing the proposals to be acted upon at the annual meeting we call your attention to the following information about the proposals and voting recommendations, the Company s director nominees and highlights of the Company s corporate governance, executive compensation and 2015 Stock Incentive Plan. The following description is only a summary. For more complete information about these topics, please review the complete proxy statement.

We use the terms Lam Research, Lam, the Company, we, our, and us in this proxy statement to refer to Lam Corporation, a Delaware corporation.

Figure 1. Proposals and Voting Recommendations

Voting Matters	Board Vote Recommendation
Proposal 1 Election of Nine Nominees Named Herein as Directors	FOR each nominee
Proposal 2 Advisory Vote to Approve the Compensation of Our Named Executive Officers, or Say on Pay	FOR
Proposal 3 Approval of the Lam 2004 Executive Incentive Plan, as Amended and Restated	FOR
Proposal 4 Approval of the Adoption of the Lam 2015 Stock Incentive Plan	FOR
Proposal 5 Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2016	FOR

Figure 2. Summary Information Regarding Director Nominees

You are being asked to vote on the election of these nine directors. The following table provides summary information about each director nominee as of September 2015, and their biographical information is contained in the *Voting Proposals* *Proposal No. 1: Election of Directors* *2015 Nominees for Director* section below.

Name	Age	Since	Director Independent (1)	Committee Membership AC	CC	NGC	Other Current Public Boards
Martin B. Anstice	48	2012	No				
Eric K. Brandt	53	2010	Yes	C/FE			Dentsply International
Michael R. Cannon	62	2011	Yes	M		M	Adobe Systems, Seagate Technology, Dialog Semiconductor
Youssef A. El-Mansy	70	2012	Yes		M		
Christine A. Heckart	49	2011	Yes	M			
Catherine P. Lego	58	2006	Yes		C	M	SanDisk, Fairchild Semiconductor International

Stephen G. Newberry	61	2005	No				Splunk
Krishna C. Saraswat	68	2012	Yes				
Abhijit Y. Talwalkar	51	2011	Yes (Lead Independent Director)		M	C	

(1) Independence determined based on NASDAQ rules.

AC Audit committee

CC Compensation committee

NGC Nominating and governance committee

C Chairperson

M Member

FE Audit committee financial expert (as determined based on SEC rules)

Continues on next page u

Figure 3. Corporate Governance Highlights

Board and Other Governance Information [1]	As of September 2015
Size of Board as Nominated	9
Average Age of Director Nominees	57.8
Average Tenure of Director Nominees	5.4
Number of Independent Nominated Directors	7
Number of Nominated Directors Who Attended ³75% of Meetings	8[2]
Number of Nominated Directors on More Than Four Public Company Boards	0
Directors Subject to Stock Ownership Guidelines	Yes
Annual Election of Directors	Yes
Voting Standard	Majority
Plurality Voting Carveout for Contested Elections	Yes
Separate Chairman and CEO	Yes
Lead Independent Director	Yes
Independent Directors Meet Without Management Present	Yes
Board (Including Individual Director) and Committee Self-Evaluations	Yes
Annual Independent Director Evaluation of CEO	Yes
Risk Oversight by Full Board and Committees	Yes
Commitment to Board Refreshment and Diversity	Yes
Robust Director Nomination Process	Yes
Board Orientation/Education Program	Yes
Code of Ethics Applicable to Directors	Yes
Stockholder Ability to Act by Written Consent	Yes
Poison Pill	No
Publication of Corporate Social Responsibility Report on Our Website	Yes

(1) The nine directors to be elected is fewer than the eleven members as of the proxy statement filing date, and the board has reduced the size of the board to nine, effective immediately prior to the time of this year s annual meeting of stockholders.

(2) For additional information regarding meeting attendance see *Governance Matters* *Corporate Governance* *Meeting Attendance* below.

Figure 4. Executive Compensation Highlights

What We Do

Pay for Performance (Pages 15-18, 21, 24-25) Our executive compensation program is designed to pay for performance with 100% of the short-term incentive program tied to company financial, strategic and operational performance metrics, 50% of the long-term incentive program tied to total shareholder return, or TSR, performance, and 50% of the long-term incentive program awarded in stock options and restricted stock units, or RSUs.

Three-Year Performance Period for Our 2015 Long-Term Incentive Program (Pages 24-26) Our current long-term incentive program is designed to pay for performance over a period of three years.

Absolute and Relative Performance Metrics (Pages 21-23, 24-26) Our annual and long-term incentive programs for executive officers include the use of absolute and relative performance factors.

Balance of Annual and Long-Term Incentives Our incentive programs provide a balance of annual and longer-term incentives.

Different Performance Metrics for Annual and Long-Term Incentive Programs (Pages 21-23, 24-26) Our annual and long-term incentive programs use different performance metrics.

Capped Amounts (Pages 21-22, 25-26) Amounts that can be earned under the annual and long-term incentive programs are capped.

Compensation Recovery/Clawback Policy (Page 18) We have a policy in which we can recover the excess amount of cash incentive-based compensation granted and paid to our officers who are covered by Section 16 of the Exchange Act.

Prohibit Option Repricing Our stock incentive plans prohibit option repricing without stockholder approval (excluding adjustments due to specified corporate transactions and changes in capitalization).

Hedging and Pledging Policy (Page 8) We have a policy applicable to our Named Executive Officers, or NEOs, and directors that prohibits pledging and hedging.

Stock Ownership Guidelines (Page 18) We have stock ownership guidelines for each of our executive officers and certain other senior executives; each of our NEOs has met his or her individual ownership level under the current program or has a period of time remaining under the guidelines to do so.

Independent Compensation Advisor (Page 19) The compensation committee benefits from its utilization of an independent compensation advisor retained directly by the committee that provides no other services to the Company.

Stockholder Engagement We engage with stockholders and stockholder advisory firms to obtain feedback concerning our compensation program.

What We Don t Do

Tax Gross-Ups for Perquisites, for Other Benefits or upon a Change in Control (Pages 29-32, 36-38) Our executive officers do not receive tax gross-ups for perquisites, for other benefits or upon a change in control.[1]

Single-Trigger Change in Control Provisions (Pages 28, 36-38) None of our executive officers have single-trigger change in control agreements.

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

Continues on next page u

Figure 5. 2015 Stock Incentive Plan Highlights

What The Plan Includes

Share Reserve (Page 58) 18 million shares shall be available for issuance under the 2015 Stock Incentive Plan, or the 2015 Plan. In addition, the shares that remain available for grants under the 2007 Stock Incentive Plan, or the 2007 Plan, as of the date of the 2015 Annual Meeting of Stockholders and any shares that would otherwise return to the 2007 Plan as a result of the forfeiture, termination or expiration of awards previously granted under the 2007 Plan shall also be available for issuance under the 2015 Plan in addition to the 18 million shares.

Award Type Flexibility (Page 57) The 2015 Plan provides for incentive stock options, non-qualified stock options, restricted stock, restricted stock units, stock appreciation rights, or SARs, and other awards (including, but not limited to, purchase rights for shares, bonus shares, deferred shares, performance shares and phantom shares).

Fungible Share Ratio (Page 58) Awards other than stock options and SARs count against the share reserve at a 2:1 ratio (i.e., will count as two shares against the share reserve for every one share subject to such award).

Grant Limits (Page 58) Grantees may not be granted more than 1,000,000 stock options and SARs during a fiscal year (2,000,000 for new hires). Restricted stock, restricted stock units and other awards intended to be performance-based compensation are limited at 600,000 shares during a fiscal year. Non-employee director awards are limited to 80,000 shares regardless of award type.

Minimum Vesting Periods (Page 59) Awards may not vest sooner than the one year anniversary of the date of grant (except with respect to 5% of the maximum number of shares that may be issued under the 2015 Plan). Awards may provide for earlier vesting in certain circumstances (e.g., death, disability and in certain corporate transactions).

Recoupment/Clawback (Page 60) Awards under the 2015 Plan are subject to any applicable recoupment provision that we may adopt with respect to equity awards made after such adoption.

Plan Term (Page 59) The 2015 Plan terminates 10 years from its effective date, though awards granted before termination will survive in accordance with their terms.

Shares Available for Awards Provisions (Page 59)

Shares covered by an award which is forfeited, canceled or which expires before the shares are issued shall be available for future issuance under the 2015 Plan.

Shares that have been issued (e.g., restricted stock) shall not be returned to the 2015 Plan except where unvested shares are forfeited or repurchased by the Company at the lower of their original purchase price or their fair market value.

Shares tendered or withheld in payment of an option or SAR exercise price or withheld to pay any option or SAR tax withholding obligation shall not be returned to the 2015 Plan.

Shares tendered or withheld in payment of any tax withholding obligation for an award other than an option or SAR shall be returned to the 2015 Plan and available for future issuance.

What The Plan Does Not Include

Repricing Without Stockholder Approval (Page 59) Stockholder approval must be obtained prior to the reduction of the exercise price of any option or SAR or the cancellation of an option or SAR when its exercise price exceeds the fair market value of the shares in exchange for cash, another award, or an option or SAR with a lower exercise price (excluding adjustments due to specified corporate transactions and changes in capitalization).

4

Stock Ownership

Security Ownership of Certain Beneficial Owners and Management

The table below sets forth the beneficial ownership of shares of Lam common stock by: (i) each person or entity who we believe based on our review of filings made with the United States Securities and Exchange Commission, or the SEC, beneficially owned as of September 8, 2015, more than 5% of Lam s common stock on the date set forth below; (ii) each current director of the Company; (iii) each NEO identified below in the *Compensation Matters Executive Compensation and Other Information Compensation Discussion and Analysis* section; and (iv) all current directors and current

executive officers as a group. With the exception of 5% owners, and unless otherwise noted, the information below reflects holdings as of September 8, 2015, which is the Record Date for the 2015 annual meeting and the most recent practicable date for determining ownership. For 5% owners, holdings are as of the dates of their most recent ownership reports filed with the SEC, which are the most practicable dates for determining their holdings. The percentage of the class owned is calculated using 158,498,813 as the number of shares of Lam common stock outstanding on September 8, 2015.

Figure 6. Beneficial Ownership Table

Name of Person or Identity of Group	Shares Beneficially Owned (#) (1)	Percentage of Class
5% Stockholders		
JPMorgan Chase & Co. 270 Park Avenue New York, NY 10017	20,041,020(2)	12.6%
Ameriprise Financial, Inc. 145 Ameriprise Financial Center Minneapolis, MN 55474 Columbia Management Investment Advisers, LLC	14,784,854(3)	9.3%

225 Franklin St. Boston, MA 02110		
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	12,200,295(4)	7.7%
BlackRock Inc. 55 East 52nd Street New York, NY 10022	9,099,499(5)	5.7%
Directors		
Martin B. Anstice (also a Named Executive Officer)	53,261	*
Eric K. Brandt	24,230	*
Michael R. Cannon	20,530	*
Youssef A. El-Mansy	22,133	*
Christine A. Heckart	15,030	*
Grant M. Inman	90,038	*
Catherine P. Lego	46,038	*
Stephen G. Newberry	32,640	*
Krishna C. Saraswat	23,696	*
William R. Spivey	62,416	*
Abhijit Y. Talwalkar	21,130	*
Named Executive Officers (NEOs)		
Timothy M. Archer	139,556(6)	*
Douglas R. Bettinger	10,811	*
Richard A. Gottscho	67,191	*
Sarah A. O Dowd	49,797	*
All current directors and executive officers as a group (15 people)	678,497(6)	*

Continues on next page u

* Less than 1%.

(1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 8, 2015, as well as restricted stock units, or RSUs, that will vest within that time period, as follows:

	Shares
Martin B. Anstice	
Eric K. Brandt	2,400
Michael R. Cannon	2,400
Youssef A. El-Mansy	2,400
Christine A. Heckart	2,400
Grant M. Inman	2,400
Catherine P. Lego	2,400
Stephen G. Newberry	2,400
Krishna C. Saraswat	2,400
William R. Spivey	2,400
Abhijit Y. Talwalkar	2,400
Timothy M. Archer	
Douglas R. Bettinger	
Richard A. Gottscho	
Sarah A. O Dowd	
All current directors and executive officers as a group (15 people)	24,000

As discussed in *Director Compensation* below, the non-employee directors receive an annual equity grant as part of their compensation. These grants generally vest on October 31, 2015, subject to continued service on the board as of that date, with immediate delivery of the shares upon vesting. For 2015, Drs. El-Mansy, Saraswat and Spivey; Messrs. Brandt, Cannon, Inman, Newberry and Talwalkar; and Mses. Heckart and Lego each received grants of 2,400 RSUs. These RSUs are included in the tables above.

(2) All information regarding JPMorgan Chase & Co., or JPMorgan Chase, is based solely on information disclosed in amendment number six to Schedule 13G filed by JPMorgan Chase with the SEC on January 15, 2015 as a parent holding company on behalf of JPMorgan Chase and its wholly-owned subsidiaries: JPMorgan Chase Bank, National Association; J.P. Morgan Investment Management Inc.; JPMorgan Asset Management (UK) Ltd.; J.P. Morgan Trust Company of Delaware; and JPMorgan Asset Management (Canada) Inc. According to the Schedule 13G/A filing, of the 20,041,020 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of December 31, 2014, JPMorgan Chase had sole voting power with respect to 17,836,175 shares, had shared voting power with respect to 257,237 shares, had sole dispositive power with respect to 19,726,354 shares and shared dispositive power with respect to 313,701 shares of Lam common stock reported as beneficially owned by JPMorgan Chase as of that date.

(3) All information regarding Ameriprise Financial, Inc., or Ameriprise, and Columbia Management Investment Advisers, LLC, or Columbia, is based solely on information disclosed in amendment number two to Schedule 13G filed by Ameriprise and Columbia with the SEC on February 17, 2015. According to the Schedule 13G filing, of the 14,784,854 shares of Lam common stock reported as beneficially owned by Ameriprise and Columbia as of

December 31, 2014, Ameriprise and Columbia did not have sole voting power with respect to any shares, and had shared voting power with respect to 1,262,004 shares, did not have sole dispositive power with respect to any other shares and shared dispositive power with respect to 14,784,854 shares of Lam common stock reported as beneficially owned by Ameriprise and Columbia as of that date. According to the Schedule 13G filing, Ameriprise, as the parent company of Columbia, may be deemed to beneficially own the shares reported by Columbia in the Schedule 13G filing. Accordingly, the shares reported by Ameriprise in the Schedule 13G filing include those shares separately reported therein by Columbia.

(4) All information regarding The Vanguard Group, Inc., or Vanguard, is based solely on information disclosed in amendment number two to Schedule 13G filed by Vanguard with the SEC on February 10, 2015. According to the Schedule 13G filing, of the 12,200,295 shares of Lam common stock reported as beneficially owned by Vanguard as of December 31, 2014, Vanguard had sole voting power with respect to 267,722 shares, did not have shared voting power with respect to any other shares, had sole dispositive power with respect to 11,938,873 shares and shared dispositive power with respect to 261,422 shares of Lam common stock reported as beneficially owned by Vanguard as of that date. The 12,200,295 shares of Lam common stock reported as beneficially owned by Vanguard include 217,422 shares beneficially owned by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, as a result of it serving as investment manager of collective trust accounts, and 103,300 shares beneficially owned by Vanguard Investments Australia, Ltd., a wholly owned subsidiary of Vanguard, as a result of it serving as investment manager of Australian investment offerings.

(5) All information regarding BlackRock Inc., or BlackRock, is based solely on information disclosed in amendment number seven to Schedule 13G filed by BlackRock with the SEC on February 2, 2015 on behalf of BlackRock and its subsidiaries: BlackRock (Luxembourg) S.A.; BlackRock (Netherlands) B.V.; BlackRock Advisors (UK) Limited; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Deutschland AG; BlackRock Asset Management Ireland Limited; BlackRock Asset Management North Asia Limited; BlackRock Financial Management, Inc.; BlackRock Fund Management Ireland Limited; BlackRock Fund Managers Ltd; BlackRock Institutional Trust Company, N.A.; BlackRock International Limited; BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd; BlackRock Investment Management, LLC; BlackRock Japan Co Ltd; and BlackRock Life Limited. According to the Schedule 13G filing, of the 9,099,499 shares of Lam common stock reported as beneficially owned by BlackRock as of December 31, 2014, BlackRock had sole voting power with respect to 7,649,071 shares, did not have shared voting power with respect to any other shares,

had sole dispositive power with respect to 9,099,499 shares and did not have shared dispositive power with respect to any other shares of Lam common stock reported as beneficially owned by BlackRock as of that date.

(6) Includes 4,284 shares of common stock held indirectly in a 401(k) plan and 506 shares of common stock held by Mr. Archer s spouse in her 401(k) plan over which he may be deemed to have beneficial ownership.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers, directors, and people who own more than 10% of a registered class of our equity securities to file an initial report of ownership (on a Form 3) and reports on subsequent changes in ownership (on Forms 4 or 5) with the SEC by specified due dates. Our executive officers, directors, and greater-than-10% stockholders are also required by SEC rules

to furnish us with copies of all Section 16(a) forms they file. We are required to disclose in this proxy statement any failure to file any of these reports on a timely basis. Based solely on our review of the copies of the forms that we received from the filers, and on written representations from certain reporting persons, we believe that all of these requirements were satisfied during fiscal year 2015.

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Governance Matters

Corporate Governance

Our board of directors and members of management are committed to responsible corporate governance to manage the Company for the long-term benefit of its stockholders. To that end, the board and management periodically review and update, as appropriate, the Company s corporate governance policies and practices. As part of that process, the board and management consider the requirements of federal and state law, including rules and regulations of the SEC; the listing standards for the NASDAQ Global Select Market, or NASDAQ; published guidelines and recommendations of proxy advisory firms; published guidelines of other selected public companies; and any feedback we receive from our stockholders. A list of key corporate governance practices is provided in the *Proxy Statement Summary* above.

Corporate Governance Policies

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

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

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

Corporate code of ethics. We maintain a code of ethics that applies to all employees, officers, and members of the board. The code of ethics establishes standards reasonably necessary to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and full, fair, accurate, timely, and understandable disclosure in the periodic

reports we file with the SEC and in other public communications. We will promptly disclose to the public any amendments to, or waivers from, any provision of the code of ethics to the extent required by applicable laws. We intend to make this public disclosure by posting the relevant material on our web site, to the extent permitted by applicable laws. A copy of the code of ethics is available on the investors page of our web site at *http://investor.lamresearch.com/corporate-governance.cfm*.

Global standards of business conduct policy. We maintain written standards of appropriate conduct in a variety of business situations that apply to our worldwide workforce. Among other things, these global standards of business conduct address relationships with one another, relationships with Lam (including conflicts of interest, safeguarding of Company assets and protection of confidential information) and relationships with other companies and stakeholders (including anti-corruption).

Insider trading policy. Our insider trading policy restricts the trading of Company stock by our directors, officers, and employees, and includes provisions addressing insider blackout periods and prohibiting hedges and pledges of Company stock.

Board Nomination Policies and Procedures

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

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

The board and the nominating and governance committee regard board refreshment as important, and strive to maintain an appropriate balance of tenure, turnover, diversity and skills on the board. The board believes that new perspectives and ideas are important to a forward-looking and strategic board as is the ability to benefit from the valuable experience and familiarity of longer-serving directors.

Prior to recommending that an incumbent non-employee director be nominated for reelection to the board, the committee reviews the experiences, skills and qualifications of the directors to assess the continuing relevance of the directors experiences, skills and qualifications to those considered necessary or desirable for the board at that time. Board members may not serve on more than four boards of public companies (including service on the Company s board).

To be nominated, a new or incumbent candidate must provide an irrevocable conditional resignation that will be effective upon (i) the director s failure to receive the required majority vote at an annual meeting at which the nominee faces re-election and (ii) the board s acceptance of such resignation. In addition, no director, after having attained the age of 75 years, may be nominated for re-election or reappointment to the board.

Nomination procedure. The nominating and governance committee identifies, screens, evaluates and recommends qualified candidates for appointment or election to the board based on the board s needs and desires at that time as developed through their self-evaluation process. The committee considers recommendations from a variety of sources, including search firms, board members, executive officers and stockholders. Nominations for election by the stockholders are made by the independent members of the board.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. Information regarding the nomination procedure is provided in the *Voting and Meeting Information Other Meeting Information Stockholder-Initiated Proposals and Nominations for 2015 Annual Meeting* section below.

Director Independence Policies

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

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

Board committee independence. All members of the board s audit, compensation, and nominating and governance committees must be non-employee or outside directors and independent in accordance with applicable NASDAQ criteria as well as, in the case of the compensation committee, applicable rules under section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, and Rule 16b-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. See *Board Committees* below for additional information regarding these board committees.

Lead independent director. Our corporate governance guidelines authorize the board to designate a lead independent director from among the independent board members. The lead independent director is responsible for coordinating the activities of the independent directors; consulting with the chairman regarding matters such as schedules of and agendas for board meetings; the quality, quantity and timeliness of the flow of information from management; the retention of consultants who report directly to the board; and developing the agenda for and moderating executive sessions of the board s independent directors. Mr. Talwalkar was appointed the lead independent director, effective August 27, 2015, succeeding Mr. Inman, who is retiring effective as of November 2, 2015 and had served as the lead independent director from his reelection at the 2012 annual meeting through August 26, 2015.

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

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

Board education program. Our corporate governance guidelines provide that directors are expected to participate in educational activities sufficient to maintain their understanding of their duties as directors and to enhance their ability to fulfill their responsibilities. In addition to any external educations that the directors find useful, the Company and the board leadership are expected to facilitate such participation by arranging for appropriate educational content to be incorporated into regular meetings of the board and committees.

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Leadership Structure of the Board

The current leadership structure of the board consists of a chairman and a lead independent director. The chairman, Mr. Newberry, served as chief executive officer of the Company from June 2005 to January 2012. The board believes that this is the appropriate board leadership structure at this time. Lam and its stockholders benefit from having Mr. Newberry as its chairman, as he brings to bear his experience as CEO as well as his other qualifications in carrying out his responsibilities as chairman, which include (i) preparing the agenda for the board meetings; (ii) upon invitation, attending meetings of any of the board committees on which he is not a member; (iii) if not also the CEO, conveying to the CEO, together with the chair of the compensation committee, the results of the CEO s performance evaluation; (iv) reviewing proposals submitted by stockholders for action at meetings of stockholders and, depending on the subject matter, determining the appropriate body, among the board or any of the board committees, to evaluate each proposal and making recommendations to the board regarding action to be taken in response to such proposal; (v) performing such other duties as the board may reasonably request from time to time; and (vi) performing such duties as the CEO may reasonably request from time to time for the purpose of enhancing the chairman s familiarity with the Company and its executives, such as attending the annual Executive Strategic Planning Conference as a representative of the board, and by meeting with the members of management at the request of the CEO or COO. The Company and its stockholders also benefit from having a lead independent director to provide independent board leadership. See *Director Independence Policies Lead Independent Director* for additional information regarding the responsibilities of the lead independent director.

Other Governance Practices

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

Board and committee assessments. At least once every two years, the board conducts a self-evaluation of the board, its committees, and the individual directors, overseen by the nominating and governance committee.

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

the nominating and governance committee s recommendations.

Director and executive stock ownership. Under the corporate governance guidelines, each director is expected to own at least the lesser of five times the value of the annual cash retainer (not including any committee chair or other supplemental retainers for directors) or 5,000 shares of Lam common stock, by the fifth anniversary of his or her initial election to the board. Guidelines for stock ownership by designated members of the executive management team are described below under *Compensation Matters Executive Compensation and Other Information Compensation Discussion and Analysis.* All of our directors and designated members of our executive management team were in compliance with the Company s applicable stock ownership guidelines at the end of fiscal year 2015 or have a period of time remaining under the program to do so.

Communications with board members. Any stockholder who wishes to communicate directly with the board of directors, with any board committee or with any individual director regarding the Company may write to the board, the committee or the director c/o Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California

94538. The secretary will forward all such communications to the appropriate director(s).

Any stockholder, employee, or other person may communicate any complaint regarding any accounting, internal accounting control, or audit matter to the attention of the board s audit committee by sending written correspondence by mail (to Lam Research Corporation, Attention: Board Audit Committee, P.O. Box 5010, Fremont, California 94537-5010) or by phone (855-208-8578) or internet (through the Company s third party provider web site at *www.lamhelpline.ethicspoint.com)*. The audit committee has established procedures to ensure that employee complaints or concerns regarding audit or accounting matters will be received and treated anonymously (if the complaint or concern is submitted anonymously and permitted under applicable law).

Meeting Attendance

All of the directors attended at least 75% of the aggregate number of board meetings and meetings of board committees on which they served during their board tenure in fiscal year 2015, with the exception of Dr. El-Mansy, who attended 100% of all such meetings in all prior years of service and 70% in fiscal year 2015. Dr. El-Mansy was unable to attend one board and two compensation committee meetings scheduled within a two week period in fiscal year 2015 due to a serious family medical situation. Our board of directors held a total of five meetings during fiscal year 2015.

We expect our directors to attend the annual meeting of stockholders each year. All individuals who were directors as of the 2014 annual meeting of stockholders attended the 2014 annual meeting of stockholders.

Board Committees

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

Figure 7. Committee Membership

Current Committee Memberships			
Name	**Audit**	**Compensation**	**Nominating and Governance**
Eric K. Brandt	Chair		
Michael R. Cannon	x		x
Youssef A. El-Mansy		x	
Christine A. Heckart	x [(1)]		
Grant M. Inman		x	x [(2)]
Catherine P. Lego		Chair [(3)]	x
William R. Spivey	x		
Abhijit Y. Talwalkar		x [(4)]	Chair [(5)]
Total Number of Meetings Held in FY2015	**8**	**5**	**4**

(1) Ms. Heckart was appointed as a member of the audit committee effective August 27, 2015. Until that time, she served as a member of the compensation committee.

(2) Mr. Inman served as chair of the nominating and governance committee through August 26, 2015, remaining thereafter as a member of the committee.

(3) Ms. Lego was appointed as chair of the compensation committee effective August 27, 2015. Until that time, she served as a member of the audit committee.

(4) Mr. Talwalkar served as chair of the compensation committee through August 26, 2015, remaining thereafter as a member of the committee.

(5) Mr. Talwalkar was appointed as a member of the nominating and governance committee effective May 14, 2015 and as chair of the nominating and governance committee effective August 27, 2015.

Audit committee. The purpose of the audit committee is to oversee the Company s accounting and financial reporting processes and the audits of our financial statements, including the system of internal controls. As part of its responsibilities, the audit committee reviews and oversees potential conflict of interest situations, transactions required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC and any other transaction involving an executive or board member. A copy of the audit committee charter is available on the investors page of our web site at *http://investor.lamresearch.com/corporate-governance.cfm.*

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

Compensation committee. The purpose of the compensation committee is to discharge certain responsibilities of the board relating to executive compensation; to oversee incentive, equity-based plans and other compensatory plans in which the Company s executive officers and/or directors participate; and to produce an annual report on executive compensation for inclusion as required in the Company s annual proxy statement. The compensation committee is authorized to perform the responsibilities of the committee referenced above and described in the charter. A copy of the compensation committee charter is available on the investors page of our web site at *http://investor.lamresearch.com/corporate-governance.cfm.*

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

Nominating and governance committee. The purpose of the nominating and governance committee is to identify individuals qualified to serve as members of the board of the Company, to recommend nominees for election as directors of the Company, to oversee self-evaluations of the board s performance, to develop and recommend corporate governance guidelines to the board, and to provide oversight with respect to corporate governance. A copy of the nominating and governance committee charter is available on the investors page of our web site at *http://investor.lamresearch.com/corporate-governance.cfm.*

The board concluded that all nominating and governance committee members are non-employee directors who are independent in accordance with the NASDAQ criteria for director independence.

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The nominating and governance committee will consider for nomination persons properly nominated by stockholders in accordance with the Company s bylaws and other procedures described in the *Voting and Meeting Information Other Meeting Information Stockholder-Initiated Proposals and Nominations for 2015 Annual Meeting* section below. Subject to then-applicable law, stockholder nominations for director will be evaluated by the Company s nominating and governance committee in accordance with the same criteria as is applied to candidates identified by the nominating and governance committee or other sources.

Board s Role in Risk Oversight

The board is actively engaged in risk oversight. Management regularly reports to the board on its risk assessments and risk mitigation strategies for the major risks of our business. Generally the board exercises its oversight responsibility

directly; however, in specific cases, such responsibility has been delegated to board committees. Committees that have been charged with risk oversight regularly report to the board on those risk matters within their areas of responsibility. Risk oversight responsibility has been delegated to board committees as follows:

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

Director Compensation

Our director compensation is designed to attract and retain high caliber directors and to align director interests with those of stockholders. Director compensation is reviewed and determined annually by the board (in the case of Messrs. Newberry and Anstice, by the independent members of the board), upon recommendation from the compensation committee. Non-employee director compensation (including the compensation of Mr. Newberry, who is currently our non-employee chairman and was previously an employee chairman for a portion of fiscal year 2015) is described below. Mr. Anstice, whose compensation as CEO is described below under *Compensation Matters Executive Compensation and Other Information Compensation Discussion and Analysis,* does not receive additional compensation for his service on the board.

Non-employee director compensation. Non-employee directors receive annual cash retainers and equity awards. The chairman of the board, committee chairs, the lead independent director and committee members receive additional cash retainers. Non-employee directors who join the board or a committee midyear receive prorated cash retainers and equity awards, as applicable. Our non-employee director compensation plans are based on service during the calendar year; however, SEC rules require us to report compensation in this proxy statement on a fiscal-year basis. Cash compensation paid to non-employee directors for the fiscal year ended June 28, 2015 is shown in the table below, together with the annual cash compensation program components in effect for calendar years 2014 and 2015.

Figure 8. Director Annual Retainers

Annual Retainers	Calendar Year 2015 ($)	Calendar Year 2014 ($)	Fiscal Year 2015 ($)
Non-employee Director	60,000	60,000	60,000
Lead Independent Director	20,000	20,000	20,000
Chairman [1]	280,000		280,000
Audit Committee Chair	25,000	25,000	25,000
Audit Committee Member	12,500	12,500	12,500
Compensation Committee Chair	20,000	20,000	20,000
Compensation Committee Member	10,000	10,000	10,000
Nominating and Governance Committee Chair	10,000	10,000	10,000
Nominating and Governance Committee Member	5,000	5,000	5,000

(1) The supplemental retainer for the chairman of the board became effective as of January 1, 2015 and was paid in its entirety in February 2015. The amount and timing of cash received by the chairman in calendar year 2014 to supplement the amount of his cash retainer paid on the same terms as the annual cash retainer for all non-employee directors is described below under *Chairman compensation*.

Each non-employee director also receives an annual equity grant on the first Friday following the annual meeting (or, if the designated date falls within a blackout window under applicable Company policies, on the first business day such grant is permissible under those policies) with a targeted grant date value equal to $190,000 (the number of RSUs subject to the award is determined by dividing $190,000 by the closing price of a share of Company common stock as of the date of grant, rounded down to the nearest 10 shares). These grants generally vest on October 31 in the year following the grant and are subject to the terms and conditions of the Company s 2007 Stock Incentive Plan, as amended, or the 2007 Plan, and the applicable award agreements. These grants immediately vest in full: (i) if a non-employee director dies or becomes subject to a disability (as determined pursuant to the 2007 Plan), (ii) upon the occurrence of a Change in Control (as defined in the 2007 Plan), or (iii) on the date of the annual meeting if the annual meeting during the year in which the award was expected to vest occurs prior to the vest date and the non-employee director is not re-elected or retires or resigns effective immediately prior to the annual meeting. Non-employee directors who commence service after the annual award has been granted receive a pro-rated grant based on the number of regular board meetings remaining in the year as of the date of the director s election.

On November 7, 2014, each director other than Mr. Anstice received a grant of 2,400 RSUs for services during calendar year 2015. Unless there is an acceleration event, these RSUs will vest in full on October 31, 2015, subject to the director s continued service on the board.

Chairman compensation. Mr. Newberry, who served as vice-chairman from December 7, 2010 until November 1, 2012 and since such date has served as chairman, has a chairman s agreement documenting his responsibilities, described above under *Governance Matters Corporate Governance Leadership Structure of the Board,* and compensation. Mr. Newberry entered into a chairman s agreement with the Company commencing on January 1, 2015 and expiring on December 31, 2015, subject to the right of earlier termination in certain circumstances and a one year extension upon mutual written agreement of the parties. The agreement provides that Mr. Newberry will serve as chairman (and not as an employee or officer) and in addition to his regular compensation as a non-employee director, he receives an additional cash retainer of $280,000.

Prior to January 1, 2015, Mr. Newberry had an employment agreement with the Company that commenced on January 1, 2012 and expired on December 31, 2014. The agreement provided for annual compensation of $500,000, subject to adjustment at the discretion of the independent members of the board. His annual compensation was adjusted to $530,000 effective March 31, 2014. His annual compensation for calendar year 2014 was paid partly in equity and partly in cash as follows: he received an RSU grant with a targeted grant

date value of $190,000 and a $60,000 cash retainer on the same terms as non-employee directors annual equity grants and cash retainers, and he received the remaining $280,000 of his annual compensation in cash. Mr. Newberry was eligible to participate in 2014 in the Company s Elective Deferred Compensation Plan that is generally applicable to executives of the Company, subject to the general terms and conditions of such plan. He continues to maintain a balance in the plan until he no longer performs service for the Company as a director but is no longer eligible to defer any compensation into the plan.

The following table shows compensation for fiscal year 2015 for directors other than Mr. Anstice:

Figure 9. FY2015 Director Compensation

Director Compensation for Fiscal Year 2015	Fees Earned or Paid	Stock Awards ($) (1)(2)	All Other Compen-sation	Total ($)

	in Cash ($)		($) (3)	
Stephen G. Newberry	483,231(4)	187,728	11,487	682,446
Eric K. Brandt	85,000(5)	187,728		272,728
Michael R. Cannon	77,500(6)	187,728		265,228
Youssef A. El-Mansy	70,000(7)	187,728	22,432	280,160
Christine A. Heckart	70,000(8)	187,728		257,728
Grant M. Inman	100,000(9)	187,728	22,432	310,160
Catherine P. Lego	77,500(10)	187,728	21,279	286,507
Krishna C. Saraswat	60,000(11)	187,728		247,728
William R. Spivey	72,500(12)	187,728	22,432	282,660
Abhijit Y. Talwalkar	80,000(13)	187,728		267,728

(1) The amounts shown in this column represent the grant date fair value of unvested RSU awards granted during fiscal year 2015 in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, Compensation Stock Compensation, or ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2015 are set forth in Note 5 to the Consolidated Financial Statements of the Company s Annual Report on Form 10-K for the fiscal year ended June 28, 2015.

(2) On November 7, 2014, each director who was on the board received an annual grant of 2,400 RSUs based on the $78.93 closing price of Lam s common stock and the target value of $190,000, rounded down to the nearest 10 shares.

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

(4) Mr. Newberry received $483,231, representing his $280,000 chairman retainer and $60,000 annual retainer as a director and the remainder of his annual cash compensation under his employment agreement ended December 31, 2014.

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

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

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

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

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

(10) Ms. Lego received $77,500, representing her $60,000 annual retainer, $12,500 as a member of the audit committee, and $5,000 as a member of the nominating and governance committee.

(11) Dr. Saraswat received $60,000, representing his $60,000 annual retainer.

(12) Dr. Spivey received $72,500, representing his $60,000 annual retainer and $12,500 as a member of the audit committee.

(13) Mr. Talwalkar received $80,000, representing his $60,000 annual retainer and $20,000 as chair of the compensation committee.

Other benefits. Any members of the board enrolled in the Company s health plans as of or prior to December 31, 2012 can participate after retirement from the board in the Company s Retiree Health Plans. The board eliminated this benefit for any person who became a director after December 31, 2012. The most recent valuation of the Company s accumulated post-retirement benefit obligation under Accounting Standards Codification 715, *Compensation Retirement Benefits*, or ASC 715, as of

June 28, 2015, for eligible former directors and the current directors who may become eligible is shown below. Factors affecting the amount of post-retirement benefit obligation include age at enrollment, age at retirement, coverage tier (e.g., single, plus spouse, plus family), interest rate, and length of service.

Figure 10. FY2015 Accumulated Post-Retirement Benefit Obligations

Director Compensation for Fiscal Year 2015	
Name	**Accumulated Post-Retirement Benefit Obligation, as of June 28, 2015 ($)**
Stephen G. Newberry	767,000
Eric K. Brandt	
Michael R. Cannon	

Youssef A. El-Mansy	500,000
Christine A. Heckart	
Grant M. Inman	391,000
Catherine P. Lego	435,000
Krishna C. Saraswat	
William R. Spivey	704,000
Abhijit Y. Talwalkar	

Compensation Matters

Executive Compensation and Other Information

Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or CD&A, describes our executive compensation program. It is organized into the following four sections:

I. Overview of Executive Compensation (Including Our Philosophy and Program Design)
II. Executive Compensation Governance and Procedures
III. Primary Components of Named Executive Officer Compensation; Calendar Year 2014 Compensation Payouts; Calendar Year 2015 Compensation Targets and Metrics
IV. Tax and Accounting Considerations

Our CD&A discusses compensation earned by our fiscal year 2015 Named Executive Officers, or NEOs, who are as follows:

Figure 11. FY2015 NEOs

Named Executive Officer	Position(s)
Martin B. Anstice	President and Chief Executive Officer
Timothy M. Archer	Executive Vice President and Chief Operating Officer
Douglas R. Bettinger	Executive Vice President and Chief Financial Officer
Richard A. Gottscho	Executive Vice President, Global Products
Sarah A. O Dowd	Senior Vice President, Chief Legal Officer and Secretary

I. OVERVIEW OF EXECUTIVE COMPENSATION

To align with stockholders interests, our executive compensation program is designed to foster a pay-for-performance culture and achieve the executive compensation objectives set forth in *Executive Compensation Philosophy and Program Design Executive Compensation Philosophy* below. We have structured our compensation program and payouts to reflect these goals. Our CEO s compensation in relation to our revenue and net income is shown in Figure 12 below.

Figure 12. FY2010-FY2015 CEO Pay for Performance

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

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

(3) The CEO Total Compensation for fiscal years 2015 and 2014 reflects awards covering a three-year performance period as compared to the two-year period in all other prior fiscal years. The one-time 2014 Gap Year Award, with a value of $3,074,271 is reflected in the *Summary Compensation Table* below, is not included in fiscal year 2014 CEO Total Compensation in order to allow readers to more easily compare compensation in prior and subsequent periods and better reflect the compensation payable in any fiscal year following the transition. See *Long-Term Incentive Program Design* for additional information regarding the impact of the Gap Year Award.

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

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

Our Business, Our Industry Environment and Our Financial Performance

Lam Research has been an innovative supplier of wafer fabrication equipment and services to the semiconductor industry for more than 35 years. Our customers include semiconductor manufacturers that make memory, microprocessors, and other logic integrated circuits for a wide

range of electronics; including cell phones, computers, tablets, storage devices, and networking equipment.

Our market-leading products are designed to help our customers build the smaller, faster and more powerful devices that are necessary to power the capabilities required by end users. The process of integrated circuits fabrication consists of a complex series of process and preparation steps, and our product offerings in deposition, etch and clean address a number of the most critical steps in the fabrication process. We leverage our expertise in semiconductor processing to develop technology and/or productivity solutions that typically benefit our customers through lower defect rates, enhanced yields, faster processing time, and reduced cost as well as by facilitating their ability to meet more stringent performance and design standards.

The semiconductor capital equipment industry has been highly competitive and characterized by rapid changes in demand. Figure 13 below shows year-over-year changes in revenue growth for each of the electronics industry, the semiconductor industry, and the wafer fabrication equipment segment of the semiconductor equipment industry from 2001 to the present. The semiconductor industry has historically been a highly cyclical industry, with fluctuations responding to changes in the demand for semiconductor devices. The wafer fabrication equipment segment in which we participate has historically exhibited more extreme volatility during these demand cycles as illustrated by the graph below. More recently with consolidation in the customer base, the cyclical behavior in the industry appears to have diminished somewhat. With a reduced number of customers, the volatility in the industry has lessened but our results are more dependent on the spending of any individual customer over certain periods.

Figure 13. Revenue Growth by Industry

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

16

Although we have a June fiscal year end, our executive compensation program is generally designed and oriented on a calendar-year basis to correspond with our calendar-year-based business planning. This CD&A generally reflects a calendar-year orientation rather than a fiscal year orientation, as shown in Figure 14 below. The Executive Compensation Tables at the end of this CD&A are based on our fiscal year, as required by SEC regulations.

Figure 14. Executive Compensation Calendar-Year Orientation

In calendar year 2014, demand for semiconductor equipment improved relative to calendar year 2013, as device manufacturers invested in leading edge production capacity to support healthy demand for mobile electronics. Against this backdrop, Lam delivered record financial performance.

Highlights for calendar year 2014:

- Achieved record revenues of approximately $4.9 billion for the calendar year, representing a 23% increase over calendar year 2013;
- Generated operating cash flow of $838.5 million, which represents approximately 17% of revenues;
- Repurchased approximately 6.2 million shares of common stock under the board of directors-approved $250 million and $850 million authorizations, returning approximately $427 million to stockholders; and
- Paid approximately $58.6 million in dividends to stockholders.

Investments for wafer fabrication equipment spending have remained solid in the first half of calendar year 2015 as customers transition to next generation technology nodes, which are increasingly complex and more costly to produce.

Lam has continued to generate solid operating income and cash generation with revenues of $2.9 billion and cash flows from operations of $483 million earned from the March and June 2015 quarters combined. In May 2015, we announced an increase in our quarterly dividend to $0.30 per share (with

future dividend payments subject to board review and approval), reflecting the Board s confidence in future cash generation and Lam s commitment to enhancing stockholder value.

Executive Compensation Philosophy and Program Design

Executive Compensation Philosophy

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

- provide competitive compensation to attract and retain top talent;
- provide total compensation packages that are fair to employees and reward corporate, organizational and individual performance;

align pay with business objectives while driving exceptional performance throughout fluctuating business cycles;
optimize value to employees while maintaining cost-effectiveness to the Company;
create stockholder value over the long term;
align annual program to short-term performance and long-term program to longer-term performance;
recognize that a long-term, high-quality management team is a competitive differentiator for Lam, enhancing customer trust/market share and, therefore, stockholder value; and
provide rewards when results have been demonstrated.

Our compensation committee s executive compensation objectives are to motivate:

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

Program Design

Our program design uses a mix of short- and long-term components, and a mix of cash and equity components. Our executive compensation program includes base salary, an annual incentive program, or AIP, and a long-term incentive program, or LTIP, as well as stock ownership guidelines and a compensation recovery policy. As illustrated in Figure 15 below, our program design is weighted towards performance and stockholder value. The performance-based program components include AIP cash payouts and market-based equity and stock option awards under the LTIP.

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Figure 15. NEO Compensation Target Pay Mix Averages [1]

[1] Data in Figure 15 for the calendar year 2015, 2014 and 2013 charts is for the then-applicable NEOs (i.e., fiscal year 2013 NEOs are represented in the calendar year 2013 chart, etc.).

[2] In 2014, the Company issued one-time Gap Year Awards to bridge the transition from a two- to three-year LTIP design. The one-time 2014 Gap Year Awards are not included in 2014 target pay in order to allow readers to more easily compare pay mixes relative to prior periods. See *Long-Term Incentive Program Design* below for additional information regarding the impact of the Gap Year Award.

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

Our stock ownership guidelines for our NEOs are shown in Figure 16 below. The requirements are specified in the alternative of shares or dollars to allow for stock price volatility. Ownership levels as shown below must be achieved within five years of appointment to one of the below positions. Increased requirements due to promotions or an increase in

the ownership guideline must be achieved within five years of promotion or a change in the guidelines. At the end of fiscal year 2015, all of the then-employed NEOs were in compliance with our stock ownership guidelines or have a period of time remaining under the guidelines to meet the required ownership level.

Figure 16. Executive Stock Ownership Guidelines

Position	Guidelines (lesser of)
Chief Executive Officer	5x base salary or 65,000 shares
Executive Vice Presidents	2x base salary or 20,000 shares
Senior Vice Presidents	1x base salary or 10,000 shares

Compensation Recovery, or Clawback Policy

Our executive officers covered by Section 16 of the Exchange Act are subject to the Company s compensation recovery, or clawback, policy. The clawback policy was adopted in August 2014 and will enable us to recover the excess amount of cash incentive-based compensation issued starting in calendar year 2015 to covered individuals when a material restatement of financial results is required within 36 months of the issuance of the original financial statements. A covered individual s fraud must have materially contributed to the need to issue restated financial statements in order for the clawback

policy to apply to that individual. The recovery of compensation is not the exclusive remedy available in the event that the clawback policy is triggered.

Highlights of Preferred Compensation-Related Policies, Practices and Provisions

We maintain preferred policies, practices and provisions related to or in our compensation program, which include those highlighted in *Proxy Statement Summary Figure 4. Executive Compensation Highlights*.

18

II. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES

Role of the Compensation Committee

Our board of directors has delegated certain responsibilities to the compensation committee, or the committee, through a formal charter. The committee [1] oversees the compensation programs in which our chief executive officer and his direct executive reports (including all other NEOs) participate. The independent members of our board of directors approve the compensation packages and payouts for our CEO. The CEO is not present for any decisions regarding his compensation packages and payouts.

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

The committee is authorized to delegate such of its authority and responsibilities as the committee deems proper and consistent with legal requirements to members of the committee, any other committee of the board and one or more officers of the Company in accordance with the provisions of the Delaware General Corporation Law. For additional information on the committee s responsibilities and authorities, see *Governance Matters Corporate Governance Board Committees Compensation Committee* above.

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

Role of Committee Advisors

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

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

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

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Role of Management

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

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

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

Peer Group Practices and Survey Data

In establishing the total compensation levels of our executive officers as well as the mix and weighting of individual compensation elements, the committee monitors compensation data from a group of comparably sized companies in the technology industry, or the Peer Group, which may differ from peer groups used by stockholder advisory firms. The committee selects the companies constituting our Peer Group based on their comparability to our lines of business and industry, annual revenue, and market capitalization, and our belief that we are likely to compete with them for executive talent. Our Peer Group is focused on U.S. based, public semiconductor, semiconductor equipment and materials companies, and similarly sized high-technology equipment and hardware companies with a global presence and a significant investment in research and development. Figure 17 below summarizes how the Peer Group companies compare to the Company:

Figure 17. 2015 Peer Group Revenue and Market Capitalization

Metric	Lam Research ($M)	Target for Peer Group	Peer Group Median ($M)
Revenue (last completed four quarters as of June 5, 2014)	4,345	0.5 to 2 times Lam	4,780
Market Capitalization (30-day average as of June 5, 2014)	9,571	0.33 to 3 times Lam	11,775

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in

August 2014 for calendar year 2015 compensation decisions and based on the criteria identified above, we added one new peer (Freescale Semiconductor, Inc.) and removed two former peers (LSI Corporation, which was acquired by Avago Technologies, and Micron Technology). Our Peer Group consists of the companies listed in Figure 18 below.

Figure 18. CY2015 Peer Group Companies

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

We derive revenue, market capitalization and NEO compensation data from public filings made by our Peer Group companies with the SEC and other publicly available sources. Radford Technology Survey data may be used to supplement compensation data from public filings as needed. The committee reviews compensation practices and selected data on base salary, bonus targets, total cash compensation, equity awards, and total compensation drawn from the Peer Group companies and/or Radford Technology Survey primarily as a reference to ensure compensation packages are consistent with market norms.

Base pay levels for each executive officer are generally set with reference to the middle of the market range (40th-60th percentile), variable pay target award opportunities and total direct compensation for each executive officer are generally designed to deliver at or above market median (50th-75th percentile) compensation for target performance. For those executive officers new to their roles, compensation arrangements may be designed to deliver below market compensation. However, the committee does not target pay at any specific percentile. Rather, individual pay positioning depends on a variety of factors, such as prior job performance, job scope and responsibilities, skill set, prior experience, time in position, internal comparisons of pay levels for similar skill levels or positions, our goals to attract and retain executive talent, Company performance and general market conditions.

Assessment of Compensation Risk

Management, with the assistance of Compensia, the committee s independent compensation consultant, conducted a compensation risk assessment in 2015 and concluded that the Company s current employee compensation programs are not reasonably likely to have a material adverse effect on the Company s business.

2014 Say on Pay Voting Results; Company Response

We evaluate our executive compensation program annually. Among other things, we consider the outcome of our most recent Say on Pay vote and any input we receive from our stockholders. In 2014, the committee made changes to our executive compensation program to further strengthen our pay for performance alignment and to bring certain aspects of our long-term incentive program more in line with evolving market

practices. In 2014, our stockholders approved our 2014 advisory vote on executive compensation, with 96.4% of the votes cast in favor of the advisory proposal. Our most recent Say on Pay vote signifies our stockholders approval of those changes. We have not made any material changes to our programs and practices in 2015. Additionally, we continue to further enhance our disclosure regarding our compensation program and practices.

III. PRIMARY COMPONENTS OF NAMED EXECUTIVE OFFICER COMPENSATION; CALENDAR YEAR 2014 COMPENSATION PAYOUTS; CALENDAR YEAR 2015 COMPENSATION TARGETS AND METRICS

This section describes the components of our executive compensation program. It also describes, for each component, the payouts to our NEOs for calendar year 2014 and the forward-looking actions taken with respect to our NEOs in calendar year 2015.

Base Salary

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

For calendar years 2015 and 2014, base salaries for NEOs other than our CEO in 2014 were determined by the committee in February of each year and became effective on March 31 of that year, based on the factors described above. For 2015, the base salaries for all the NEOs, including Mr. Anstice, were increased by 3% in order to remain competitive against our Peer Group. The base salaries of the NEOs for calendar years 2015 and 2014 are as follows:

Figure 19. NEO Annual Base Salaries

Named Executive Officer

	Annual Base Salary as of March 31, 2015 ($)	Annual Base Salary as of March 31, 2014 ($)
Martin B. Anstice	927,000	900,000
Timothy M. Archer	618,000	600,000
Douglas R. Bettinger	540,000	525,000
Richard A. Gottscho	540,000	525,000
Sarah A. O Dowd	427,500	415,000

Annual Incentive Program

Design

Our annual incentive program is designed to provide short-term, performance-based compensation that: (i) is based on the achievement of pre-set annual financial, strategic and operational objectives aligned with outstanding performance throughout fluctuating business cycles, and (ii) will allow us to attract and retain top talent, while maintaining cost-effectiveness to the Company. The committee establishes individual target award opportunities for each NEO as a percentage of base salary. Specific target award opportunities are determined based on job scope and responsibilities, as well as an assessment of Peer Group data. Awards have a maximum payment amount defined as a multiple of the target award opportunity. The maximum award for 2014 and 2015 was set at 2.25 times target, consistent with prior years.

Annual incentive program components

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

- a Funding Factor,
- a Corporate Performance Factor, and
- various Individual Performance Factors (formerly known as Organization/Individual Performance Factors).

The Funding Factor is set by the committee to create a maximum payout amount from which annual incentive program payouts may be made. The committee may exercise negative (but not positive) discretion against the Funding Factor result, and generally the entire funded amount is not paid out. Achievement of a minimum level of performance against the Funding Factor goals is required to fund any program payments. In February 2014, for calendar year 2014, the committee set non-GAAP operating income as a percentage of revenue as the metric for the Funding Factor, with the following goals:

- a minimum achievement of 5% non-GAAP operating income as a percentage of revenue was required to fund any program payments, and

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achieving non-GAAP operating income (as a percentage of revenue) greater than or equal to 20% would result in the maximum payout potential of 225% of target, with actual funding levels interpolated between those points.

The committee selected non-GAAP operating income because it believes that operating income is the performance metric that best reflects core operating results.[(2)] Non-GAAP operating income is considered useful to investors for analyzing business trends and comparing performance to prior periods. By excluding certain costs and expenses that are not indicative of core results, non-GAAP results are more useful for analyzing business trends over multiple periods.

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

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

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

The metrics and goals for the Corporate and Individual Performance Factors are set annually. Goals are set depending on the business environment, to ensure that they are stretch goals regardless of changes in the business environment. Accordingly, as business conditions improve, goals are set to require better performance, and as business conditions deteriorate, goals are set to require stretch performance under more difficult conditions.

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

We believe the metrics and goals set under this program, together with the exercise of discretion by the committee as described above, have been effective to motivate our NEOs and the organizations they lead and to achieve pay-for-performance results.

(2) Non-GAAP results are designed to provide information about performance without the impact of certain non-recurring and other non-operating line items. Non-GAAP operating income is derived from GAAP results, with charges and credits in the following line items excluded from GAAP results for applicable quarters during fiscal years 2015 and 2014, restructuring charges, integration-related costs, costs associated with rationalization of certain product configurations, amortization related to intangible assets acquired in the Novellus transaction, acquisition-related inventory fair value impact, expenses associated with the synthetic lease impairment, impairment of a long-lived asset, costs associated with the disposition of business, and impairment of goodwill.

Figure 20. Annual Incentive Program Payouts

Calendar Year	Average NEO s Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2014	127	Strong operating performance supported by stable economic conditions and healthy demand for semiconductor equipment; Company growth in various growing industry technology inflections
2013	105	Healthy demand for semiconductor equipment with stable economic conditions and favorable supply demand conditions; delivered on annualized cost savings targets defined in integration plans
2012	93	Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives

Calendar year 2014 annual incentive program parameters and payout decisions

In February 2014, the committee set the calendar year 2014 target award opportunity, the metrics and goals for the Funding Factor, the metrics and annual goals for the Corporate Performance Factor, and the metrics and goals for the Organization/Individual Performance Factors for each NEO were established. In February 2015, the committee considered the actual results under these factors and made

payout decisions for the calendar year 2014 program, all as described below.

2014 Annual Incentive Program Target Award Opportunities. The annual incentive program target award opportunities for calendar year 2014 for each NEO were as set forth in Figure 21 below in accordance with the principles set forth above under *Peer Group Practices and Survey Data*.

2014 Annual Incentive Program Corporate Performance Factor. In February 2014, the committee set non-GAAP operating income as a percentage of revenue as the metric for the calendar year 2014 Corporate Performance Factor, and set:

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

These goals were designed to be stretch goals. Actual non-GAAP operating income percentage was 19.4% of revenue for calendar year 2014. This performance resulted in a total Corporate Performance Factor for calendar year 2014 of 1.14.

2014 Annual Incentive Program Organization/Individual Performance Factor. For 2014, the organization-specific performance metrics and goals for each NEO s Organization/Individual Performance Factor were set on an annual basis, and were designed to be stretch goals. The Organization/Individual Performance Factor for Mr. Anstice for calendar year 2014 was based on the average of the Organization/Individual Performance Factors of all of the organizations reporting to him. For all other NEOs, their respective Organization/Individual Performance Factors were based on market share and/or strategic, operational and organizational performance goals specific to the organizations they managed, as described in more detail below.

The accomplishments of actual organizational/individual performance against the established goals described below during 2014 were considered.

- Mr. Archer s Organization/Individual Performance Factor for calendar year 2014 was based on the accomplishment of market share, strategic, operational and organizational development goals for the global sales organization, the customer support business group and global operations.
- Mr. Bettinger s Organization/Individual Performance Factor for calendar year 2014 was based on the accomplishment of strategic, operational and organizational development goals for finance, global information systems and investor relations.
- Dr. Gottscho s Organization/Individual Performance Factor for calendar year 2014 was based on the accomplishment of market share, strategic, operational and organizational development goals for the product groups for which he had responsibility, deposition, etch, and clean.
- Ms. O Dowd s Organization/Individual Performance Factor for calendar year 2014 was based on the accomplishment of strategic, operational and organizational development goals for the legal department.

In consideration of the above accomplishments, as well as the teamwork demonstrated to deliver the overall strong company performance in 2014, the committee exercised discretion such that each NEO received an Organization/Individual Performance Factor of 1.11 for the 2014 calendar year.

2014 Annual Incentive Program Payout Decisions. In February 2015, in light of the Funding Factor results and based on the above results and decisions, the committee approved the following payouts for the calendar year 2014 annual incentive program for each NEO, which were substantially less than the maximum payout available under the Funding Factor:

Figure 21. CY2014 Annual Incentive Program Payouts

Named Executive Officer	Target Award Opportunity (% of Base Salary)	Target Award Opportunity ($) [1]	Maximum Payout under Funding Factor (219.6% of Target Award Opportunity) ($) [2]	Actual Payouts ($)
Martin B. Anstice	150	1,350,000	2,964,600	1,708,290
Timothy M. Archer	110	660,000	1,449,360	835,164
Douglas R. Bettinger	90	472,500	1,037,610	597,902
Richard A. Gottscho	90	472,500	1,037,610	597,902
Sarah A. O Dowd	80	332,000	729,072	420,113

(1) Calculated by multiplying each NEO s annual base salary for the calendar year 2014 by his or her respective target award opportunity percentage.

(2) The Funding Factor resulted in a potential payout of up to 219.6% of target award opportunity for the calendar year (based on the actual non-GAAP operating income percentage results detailed under *2014 Annual Incentive Program Corporate Performance Factor* above and the specific goals set forth in the second paragraph under *Annual incentive program components* above).

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Calendar year 2015 annual incentive program parameters

In February 2015, the committee set the target award opportunity for each NEO as a percentage of base salary, and consistent with prior years set a cap on payments equal to 2.25 times the target award opportunity. The target award opportunity for each NEO is shown in Figure 22 below.

Figure 22. CY2015 Annual Incentive Program Target Award Opportunities

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

The committee also approved the annual metric for the Funding Factor and for the Corporate Performance Factor as non-GAAP operating income as a percentage of revenue, and set the annual goals for the Funding Factor and also the Corporate Performance Factor. Consistent with the program design, the Corporate Performance Factor goal is more difficult to achieve than the Funding Factor goal. Individual Performance Factor metrics and goals were also established for each NEO. These include strategic and operational performance goals specific to individuals and their business organization. As a result, each NEO has multiple performance metrics and goals under this program. All goals were designed to be stretch goals.

Long-Term Incentive Program

Design

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

As a result, the LTIP now operates on overlapping three-year cycles, whereas prior to 2014, it operated on overlapping two-

year cycles. In 2014, this change would have left participants with a gap in long-term incentive vesting opportunity in 2016. To ensure that participants received a long-term award that vests in 2016, the committee also awarded in 2014 a one-time gap year award with a two-year performance period, or the Gap Year Award. The target amount awarded under the Gap Year Award was equal to 50% of the target award opportunity under the regular three-year LTIP award.

While the impact on the employee from the extended performance period and the Gap Year Award, assuming performance and target opportunities are the same year after year, was to normalize the received compensation in any year, the accounting impact on the Company from such normalization (visible in *Figure 32. Summary Compensation Table* and *Figure 35. FYE2015 Outstanding Equity Awards* below), was a higher grant-based compensation expense in fiscal year 2014. This is in addition to the continuing impact on the total compensation figures in the Company s *Summary Compensation Table* in fiscal years 2014 and 2015 from the long-term cash awards, which ceased in fiscal year 2015, under the previously designed programs for our performance during the relevant periods.

As shown in the chart below, because each performance period for the Market-Based PRSUs and stock options during fiscal year 2015 covers performance in two or three years, three performance cycles affect compensation during each fiscal year (including the Gap Year Award).

Figure 23. FY2015 LTIP Programs

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

(1) See Figure 26 below for additional information regarding the performance period for each program.

(2) Gap-Year Awards with cliff vesting of equity awards as in 2014/2016 LTIP but over two-year performance periods are excluded.

(3) Market-Based PRSUs cliff vest at the end of the performance periods.

(4) RSUs and Stock Options vest on an annual basis over three years.

Under the current long-term incentive program, at the beginning of each multi-year performance period, target award opportunities (expressed as a U.S. dollar value) and performance metrics are established for the program. Of the total target award opportunity, 50% is awarded in Market-Based Performance Restricted Stock Units, or Market-Based PRSUs, and the remaining 50% is awarded in a combination of stock options and service-based RSUs with at least 10% of

24

the award in each of these two vehicles. The specific percentage of service-based RSUs and stock options are reviewed annually to determine whether service-based RSUs or stock options are the more appropriate form for the major part of the award based on criteria such as the current business environment and the potential value to motivate and retain the executives. We consider performance-based RSUs

and stock options as performance-based, but do not classify service-based RSUs as performance-based. This means that if options constitute 10% of the total target award opportunity, the long-term incentive program will be 60% performance-based. If options constitute 40% of the total target award opportunity, the long-term incentive program will be 90% performance-based.

Equity Vehicles

The equity vehicles used in our 2015/2017 long-term incentive program are the following:

Figure 24. 2015/2017 LTIP Program Equity Vehicles

Equity Vehicles	% of Target Award Opportunity	Terms
Market-Based PRSUs	50	Awards cliff vest three years from the February 11, 2015 grant date, or Grant Date, subject to satisfaction of minimal performance requirement and continued employment. Cliff, rather than annual, vesting provides for both retention and for aligning NEOs with longer-term stockholder interests. The performance period for Market-Based PRSUs is three years from the first business day in February (February 2, 2015). The number of shares represented by the Market-Based PRSUs that can be earned over the performance periods is based on our stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index (SOX), subject to the below-referenced ceiling. The stock price performance or market price performance is measured using the closing price for the 50 trading days prior to the dates the performance period begins and ends. The target number of shares represented by the Market-Based PRSUs is increased by 2% of target for each 1% that Lam s stock price performance exceeds the market price performance of the SOX index; similarly, the target number of shares represented by the Market-Based PRSUs is decreased by 2% of target for each 1% that Lam s stock price performance trails the market price performance of the SOX index. The result of the vesting formula is rounded down to the nearest whole number. A table reflecting the potential payouts

		depending on various comparative results is reflected in Figure 25 below. The final award cannot exceed 150% of target (requiring a percentage change in the Company s stock price performance compared to that of the market price performance of the SOX index equal to or greater than positive 25 percentage points) and can be as little as 0% of target (requiring a percentage change in the Company s stock price performance compared to that of the market price performance of the SOX index equal to or lesser than negative 50 points). The number of Market-Based PRSUs granted was determined by dividing 50% of the target opportunity by the closing price of our common stock on the Grant Date, $80.60, rounded down to the nearest share. Awards that vest at the end of the performance period are distributed in shares of our common stock.
Stock Options	10	Awards vest one-third on the first, second and third anniversaries of the February 11, 2015 grant date, or Grant Date, subject to continued employment. The number of stock options granted is determined by dividing 10% of the target opportunity by the closing price of our common stock on the Grant Date, $80.60, rounded down to the nearest share and multiplying the result by three. The ratio of three options for every RSU is based on a Black Scholes fair value accounting analysis. Awards are exercisable upon vesting. Expiration is on the seventh anniversary of the Grant Date.
RSUs	40	Awards vest one-third on the first, second and third anniversaries of the February 11, 2015 grant date, or Grant Date, subject to continued employment. The number of RSUs granted is determined by dividing 40% of the target opportunity by the closing price of our common stock on the Grant Date, $80.60, rounded down to the nearest share. Awards are distributed in shares of our common stock upon vesting.

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Figure 25. Market-Based PRSU Vesting Summary

% Change in Lam s Stock Price Performance Compared to % Change in SOX Index Market Price Performance	Market-Based PRSUs That Can Be Earned (% of Target) (1)
+ 25% or more	150
10%	120
0% (equal to index)	100
- 10%	80
- 25%	50
- 50% or less	0

(1) As set forth in the third bullet of the first row of Figure 24, the results of the vesting formula (reflecting the number of Market-Based PRSUs that can be earned) are linearly interpolated between the stated percentages using the described formula.

Target Award Opportunity

Under the long-term incentive program, the committee sets a target award opportunity for each participant based on the NEO s position and responsibilities and an assessment of competitive compensation data. The target award opportunities for each participant are expressed in a U.S. dollar value. The target amounts for each NEO under the program cycles affecting fiscal year 2015 are as follows:

Figure 26. LTIP Target Award Opportunities

Named Executive Officer	Long-Term Incentive Program	Target Award Opportunity ($)
Martin B. Anstice	2015/2017(1)	6,750,000
	2014/2016(2)	6,500,000
	2013/2014(3)	5,000,000
Timothy M. Archer	2015/2017(1)	3,500,000
	2014/2016(2)	3,000,000
	2013/2014(3)	3,000,000
Douglas R. Bettinger	2015/2017(1)	2,500,000
	2014/2016(2)	2,500,000
	2013/2014(3)	2,000,000
Richard A. Gottscho	2015/2017(1)	3,000,000
	2014/2016(2)	2,500,000
	2013/2014(3)	2,075,000
Sarah A. O Dowd	2015/2017(1)	1,300,000
	2014/2016(2)	1,300,000
	2013/2014(3)	1,258,000

(1) The three-year performance period for the 2015/2017 LTIP begins on February 2, 2015 and ends on February 1, 2018.

(2) The three-year performance period for the 2014/2016 LTIP began on February 18, 2014 and ends on February 17, 2017. The 2014 Gap Year Award (with a performance period beginning on February 18, 2014 and ending on February 17, 2016, and target award opportunities for each participant of 50% of his or her 2014/2016 LTIP target award opportunity) is not included.

(3) The 2013/2014 LTIP had a two calendar-year performance period.

CY2015 Awards

Calendar year 2015 decisions for the 2015/2017 long-term incentive program. On February 11, 2015, the committee made a grant under the 2015/2017 long-term incentive program, of Market-Based PRSUs, stock options and RSUs on the terms set forth in Figure 24 above with a combined value equal to the NEO s total target award opportunity, as shown in Figure 27 below.

Figure 27. 2015/2017 LTIP Awards

Named Executive Officer	Target Award Opportunity ($)	Market-Based PRSUs Award (1) (#)	Stock Options Award (#)	Service-Based RSUs Award (#)
Martin B. Anstice	6,750,000	41,873	25,122	33,498
Timothy M. Archer	3,500,000	21,712	13,026	17,369
Douglas R. Bettinger	2,500,000	15,508	9,303	12,406
Richard A. Gottscho	3,000,000	18,610	11,166	14,888
Sarah A. O Dowd	1,300,000	8,064	4,836	6,451

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

2013/2014 LTIP Payouts

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

Historic LTIP Design

The long-term incentive programs prior to 2014 had two components:

- Cash Incentive Component
- Equity Incentive Component

Of such prior long-term incentive programs, 50% were expressed in performance-based cash awards and the other 50% were awarded in equity. Such programs were designed to be 75% performance-based and 25% service-based (i.e., 50% of the equity component was performance-based and 50% was service-based). The cash incentive component of the programs was entirely performance-based, and the equity incentive component had typically been half performance-based (including stock options) and half service-based. As referenced above, we consider goal-based RSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based.

Cash Incentive Component

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

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

The committee set performance metrics under each two-year performance period on an annual basis. Goals against the metrics were set on a six month basis for 2013 and on an annual basis for 2014 to allow the committee to react to changes in the external business environment. When business conditions improved, goals were set to require stronger performance, and when business conditions deteriorated, goals were set to ensure stretch performance under more difficult conditions. We believed this flexibility motivated exceptional performance and delivered stockholder value throughout the applicable fluctuating business cycles we experienced.

Results determined based on performance against the pre-set goals were adjusted to reflect stock price appreciation occurring during the performance period, aligning results under the program with results realized by our stockholders. The adjustment was made quarterly referencing a ratio of (x) the market price of our common stock over a 50-trading-day period to (y) the market price of our common stock over a

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

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

We believed this program had been effective in achieving pay-for-performance results in the face of high volatility across business cycles (as shown in Figure 28 below); however, as noted above, the compensation committee made the decision to move to a long-term program entirely composed of equity effective with the 2014/2016 LTIP.

Figure 28. 2013/2014 Long-Term Cash Payouts

Long-Term Cash Cycle	Average Long-Term Cash Payout as % of Target Award Opportunity	Business Environment
2013/2014	231	**2014**: Strong operating performance supported by stable economic conditions and healthy demand for semiconductor equipment; Company growth in various growing industry technology inflections **2013**: Healthy demand for semiconductor equipment with stable economic conditions and favorable supply demand discipline; delivered on annualized cost savings targets defined in integration plans
2012/2013	109	**2013**: Healthy demand for semiconductor equipment with stable economic conditions and favorable supply demand discipline; delivered on annualized cost savings targets defined in integration plans

		2012: Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives
2011/2012	84	**2012**: Demand for semiconductor equipment declined slightly year-over-year as global economic conditions remained weak; positive execution against integration objectives **2011**: Healthy semiconductor demand under weakening economic conditions; business conditions deteriorated in the second half of calendar year 2011

Payout decisions under the 2013/2014 long-term cash program. In February 2015, the committee determined payouts for the 2013/2014 performance cycle. The starting price for determination of the stock price appreciation metric for 2013 and 2014 was $36.93, which was based on a 200-day moving average as of December 21, 2012. The performance metric for both years of the program was non-GAAP operating income as a percentage of revenue. Specific goals against the non-GAAP operating income metric were set in February 2013 for the first half of 2013, in August 2013 for the second half of 2013, and in February 2014 on an annual basis for 2014. During the performance period, the goal was

15% per quarter, reflecting the Company s executive compensation program objective to motivate retention of a long-term, high quality management team under then-prevailing business conditions. Actual quarterly performance of non-GAAP operating income during all eight quarters ranged from 69% to 156% of target. Without regard to stock price appreciation, the resulting payout would have been 124% of target for the entire period. However, the stock price appreciation metric served to increase the payouts to 231% of target. Payouts for the eligible NEOs were awarded at 231% of target, as shown in Figure 29 below.

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Figure 29. 2013/2014 Long-Term Cash Payouts

Named Executive Officer	Cash Target Award Opportunity ($)	Cash Payout ($)
Martin B. Anstice	2,500,000	5,772,974
Timothy M. Archer	1,500,000	3,463,784
Douglas R. Bettinger	1,000,000	2,309,190
Richard A. Gottscho	1,037,500	2,395,784
Sarah A. O Dowd	629,000	1,452,480

Equity Incentive Component

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

Vesting and performance results under the 2013/2014 long-term equity program. Under the 2013/2014 long-term equity program, the committee made a grant to each NEO with a grant date of February 8, 2013 (other than Mr. Bettinger, who was not then an employee of the Company) of stock options and service based RSUs with a combined value equal to 50% of the NEO s total target award opportunity. The committee made a comparable grant for Mr. Bettinger effective as of March 11, 2013, the date he joined the Company. The number of shares of our common stock into which the stock options were exercisable, determined based on a Black Scholes value analysis, was three times the number of the RSUs granted. The options had a term of seven years and cliff vested on February 8, 2015, subject to continued employment. To determine the number of RSUs, 50% of the NEO s long-term equity target dollar amount was divided by $42.61, the closing price of our common stock on February 8, 2013, for all NEOs other than Mr. Bettinger, and $42.41, the closing price of our common stock on March 11, 2013, for Mr. Bettinger. The number of shares underlying the stock options issued for the

other 50% of the target dollar amount was determined as described above. The RSUs also cliff vested on February 8, 2015, subject to continued employment. On the vest dates, the stock option and service-based RSUs vested due to the passage of time.

Figure 30. 2013/2014 Long-Term Equity Awards

Named Executive Officer	Equity Target Award	Service-Based Restricted Stock	Stock Options Award

	Opportunity ($)	Units Award (#)	(#)
Martin B. Anstice	2,500,000	29,335	88,005
Timothy M. Archer	1,500,000	17,601	52,803
Douglas R. Bettinger	1,000,000	11,789	35,367
Richard A. Gottscho	1,037,500	12,174	36,522
Sarah A. O Dowd	629,000	7,380	22,140

Employment/Change in Control Arrangements

The Company enters into employment/change in control agreements to help attract and retain our NEOs and believes that these agreements facilitate a smooth transaction and transition planning in connection with change in control events. During the 2015 fiscal year, the Company entered into new employment agreements with Messrs. Anstice, Archer and Bettinger and Dr. Gottscho, and a new change in control agreement with Ms. O Dowd, because Mr. Anstice s prior agreement terminated in December 2014 and the committee decided to align the terms and dates of all of these agreements. The employment agreements generally provide for designated payments in the event of an involuntary termination of employment, death or disability, as such terms are defined in the applicable agreements. The employment agreements, and also the change in control agreements, generally provide for designated payments in the case of a change in control when coupled with an involuntary termination (i.e., a double trigger is required before payment is made due to a change in control), as such terms are defined in the applicable agreements.

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

Other Benefits Not Available to All Employees

Elective Deferred Compensation Plan

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

Supplemental Health and Welfare

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

We also provide post-retirement medical and dental insurance coverage for eligible former executive officers under our Retiree Health Plans, subject to certain eligibility requirements. The program was closed to executive officers who joined the Company or became executive officers through

promotion effective on or after January 1, 2013. We have an independent actuarial valuation of post-retirement benefits for eligible NEOs conducted annually in accordance with generally accepted accounting principles. The most recent valuation was conducted in June 2015 and reflected the following retirement benefit obligation for the NEOs:

Figure 31. NEO Post-Retirement Benefit Obligations

Named Executive Officer	As of June 28, 2015 ($)
Martin B. Anstice	383,000
Timothy M. Archer	431,000
Douglas R. Bettinger [(1)]	
Richard A. Gottscho	533,000
Sarah A. O Dowd	439,000

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

IV. TAX AND ACCOUNTING CONSIDERATIONS

Deductibility of Executive Compensation

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

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

When we design our executive compensation programs, we take into account whether a particular form of compensation will qualify as performance-based for purposes of section 162(m).

To facilitate the deductibility of compensation payments under section 162(m), in fiscal year 2004, we initially adopted the Executive Incentive Plan, or EIP, and obtained stockholder approval for the EIP at that time. We most recently amended this plan (subject to stockholder approval) in fiscal year 2015 and are seeking stockholder approval for the amended plan at

the 2015 annual meeting. Both the AIP and the LTIP are administered under the EIP. The annual program awards and the long-term cash awards to our NEOs generally qualify for deductibility under section 162(m) to the extent practicable.

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

Taxation of Parachute Payments

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

We did not provide any of our executive officers, any director, or any other service provider with a gross-up or other

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reimbursement payment for any tax liability that the individual might owe as a result of the application of sections 280G or 4999 during fiscal year 2015, and we have not agreed and are not otherwise obligated to provide any individual with such a gross-up or other reimbursement as a result of the application of sections 280G and 4999.

Internal Revenue Code Section 409A

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

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

Accounting for Stock-Based Compensation

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

statements over the period that an employee is required to render service in exchange for the option or other equity award.

Compensation Committee Report

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

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

MEMBERS OF THE COMPENSATION COMMITTEE

Youssef A. El-Mansy

Christine A. Heckart

Grant M. Inman

Abhijit Y. Talwalkar (Chair)

Compensation Committee Interlocks and Insider Participation

None of the compensation committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists as of the date of this proxy statement or existed during fiscal year 2015 between any member of our compensation committee and any member of any other company s board of directors or compensation committee.

Executive Compensation Tables

The following tables (Figures 32-37) show compensation information for our named executive officers:

Figure 32. Summary Compensation Table

Name and Principal Position	Fiscal Year	Salary ($)	Bonus ($)	Stock Awards ($) (1)	Options Awards ($) (2)	Non-Equity Incentive Plan Compensation ($) (3)	All Other Compensation ($) (4)	Total ($)
Martin B.	2015	906,646		5,849,027	558,635	3,839,904(12)	10,527	11,164,739
Anstice	2014	803,846		8,298,569	897,137	4,978,689(13)	30,977	15,009,218
	2013	776,904(6)		1,249,964	1,150,947	2,376,731(14)	17,106	5,571,653
President and Chief Executive Officer								
Timothy M.	2015	604,431		3,032,808	289,658	2,114,132(15)	10,543	6,051,572
Archer	2014	580,769	1,000,000(7)	3,830,003	414,012	3,034,681(16)	30,521	8,889,985
	2013	574,313(6)		1,999,961(10)	690,568	1,738,388(17)	124,204	5,127,434
Executive Vice President and Chief Operating Officer								
Douglas R.	2015	528,692		2,166,214	206,870	1,450,547(18)	8,017	4,360,340
Bettinger	2014	494,231		3,191,636	344,994	1,484,487(19)	22,961	5,538,309
	2013	149,231		2,499,942(11)	459,159	272,269(20)	2,529	3,383,130
Executive Vice President and Chief Financial Officer (5)								
Richard A.	2015	528,692	5,867(8)	2,599,550	312,531	1,482,521(21)	9,398	4,938,559
Gottscho	2014	475,000		3,191,636	441,128	2,109,623(22)	23,059	6,240,446
	2013	487,735(6)	500(9)	518,734	613,299	1,098,839(23)	15,786	2,734,893
Executive Vice President, Global Products								
Sarah A. O Dowd	2015	418,077		1,126,410	135,357	956,427(24)	7,551	2,643,822
	2014	408,077		1,659,629	229,365	1,371,075(25)	26,364	3,694,509
Senior Vice President, Chief Legal Officer and Secretary	2013	432,782(6)		314,462	371,788	808,050(26)	12,427	1,939,509

(1)

The amounts shown in this column represent the value of RSU awards, under the LTIP (for fiscal year 2014, this includes the 2014/2016 LTIP award and the Gap Year Award (a one-time award discussed in further detail in the *Long-Term Incentive Program Design* section above)) except as described in footnotes 10 and 11 below, granted in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2015 are set forth in Note 5 to the Consolidated Financial Statements of the Company s Annual Report on Form 10-K for the fiscal year ended June 28, 2015. For additional details regarding the grants see *Grants of Plan-Based Awards for Fiscal Year 2015* table below.

(2) The amounts shown in this column represent the value of the stock option awards granted, under the LTIP (for fiscal year 2014, this includes the 2014/2016 LTIP award and the Gap Year Award (a one-time award discussed in further detail in the *Long-Term Incentive Program Design* section above)), in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumption used to calculate the fair value of stock options in fiscal year 2015 are set forth in Note 5 to the Consolidated Financial Statements of the Company s Annual Report on Form 10-K for the fiscal year ended June 28, 2015. For additional details regarding the grants see *Grants of Plan-Based Awards for Fiscal Year 2015* table below.

(3) Includes the long-term cash awards, which ceased in calendar year 2015 (as discussed in further detail in the *Long-Term Incentive Program Design* section above), under the previously designed long-term incentive programs for our performance during the relevant periods.

(4) Please refer to *All Other Compensation Table For Fiscal Year 2015* which immediately follows this table, for additional information.

(5) Mr. Bettinger was appointed Executive Vice President and Chief Financial Officer on March 11, 2013.

(6) Includes non-recurring, one-time vacation payouts at the end of the program, in which all vice presidents were entitled to accrue paid vacation time, of $71,615 for Mr. Anstice; $7,485 for Mr. Archer; $36,005 for Dr. Gottscho; and $34,167 for Ms. O Dowd.

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

(8) Represents patent awards.

(9) Represents a patent award.

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

(11) Represents a grant of service-based RSUs under the 2013/2014 LTIP-Equity and a new hire grant of service-based RSUs with a dollar value equal to $2,000,000 in accordance with the terms of his employment agreement.

(12) Represents $1,708,290 earned by and subsequently paid to Mr. Anstice under the calendar year 2014 Annual Incentive Program, or AIP, and $2,131,614 accrued on his behalf for the performance during fiscal year 2015 under the 2013/2014 Long-Term Incentive Program, or LTIP-Cash. Mr. Anstice has received the amounts accrued under the 2013/2014 LTIP-Cash.

(13) Represents $1,155,041 earned by and subsequently paid to Mr. Anstice under the calendar year 2013 AIP, $857,186 accrued on his behalf for the performance during fiscal year 2014 under the 2012/2013 LTIP-Cash, and $2,966,462 accrued on his behalf for the performance during fiscal year 2014 under the 2013/2014 LTIP-Cash. Mr. Anstice has received the amount accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs.

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(14) Represents $771,640 earned by and subsequently paid to Mr. Anstice under the calendar year 2012 AIP, $183,446 accrued on his behalf for the performance during fiscal year 2013 under the 2011/2012 LTIP-Cash, $740,974 accrued on his behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $680,671 accrued on his behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Mr. Anstice has received the amounts accrued under the 2011/2012, 2012/2013, and 2013/2014 LTIP-Cash programs.

(15) Represents $835,164 earned by and subsequently paid to Mr. Archer under the calendar year 2014 AIP and $1,278,968 accrued on his behalf for the performance during fiscal year 2015 under the 2013/2014 LTIP-Cash. Mr. Archer has received the amount accrued under the 2013/2014 LTIP-Cash.

(16) Represents $642,528 earned by and subsequently paid to Mr. Archer under the calendar year 2013 AIP, $612,276 accrued on his behalf for the performance during fiscal year 2014 under the 2012/2013 LTIP-Cash, and $1,779,877 accrued on his behalf for the performance during fiscal year 2014 under the 2013/2014 LTIP-Cash. Mr. Archer has received the amount accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs.

(17) Represents $263,492 earned by and subsequently paid to Mr. Archer under the calendar year 2012 AIP, $360,804 earned by and subsequently paid to him in accordance with the terms of his employment agreement under the 2012 Novellus Executive Bonus Program for performance during the second half of fiscal year 2012, $705,689 accrued on his behalf for the performance during fiscal year 2013 under the 2012/2013 LTIP-Cash, and $408,403 accrued on his behalf for the performance during fiscal year 2013 under the 2013/2014 LTIP-Cash. Mr. Archer has received the amount accrued under the 2012/2013 and 2013/2014 LTIP-Cash programs.

(18) Represents $597,902 earned by and subsequently paid to Mr. Bettinger under the calendar year 2014 AIP and $852,645 accrued on his behalf for the performance during fiscal year 2015 under the 2013/2014 LTIP-Cash. Mr. Bettinger has received the amount accrued under the 2013/2014 LTIP-Cash.

(19) Represents $297,902 earned by and subsequently paid to Mr. Bettinger under the calendar year 2013 AIP, and $1,186,585 accrued on his behalf for the performance during fiscal year 2014 under the 2013/2014 LTIP-Cash. Mr. Bettinger has received the amounts accrued under the 2013/2014 LTIP-Cash program.