LAM RESEARCH CORP
Form 10-K
August 19, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 26, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE**

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to ___________.

Commission file number: 0-12933

LAM RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-2634797**
(State or other jurisdiction of	(I.R.S. Employer

incorporation or organization)	Identification No.)
4650 Cushing Parkway	
Fremont, California	**94538**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: **(510) 572-0200**

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of exchange on which registered
Common Stock, Par Value $0.001 Per Share	**NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

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

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

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

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

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

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

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

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

The aggregate market value of the Registrant s Common Stock, $0.001 par value, held by non-affiliates of the Registrant, as of December 26, 2010, the last business day of the most recently completed second fiscal quarter with respect to the fiscal year covered by this Form 10-K, was $5,116,431,866. Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock has been excluded from this computation in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination of such status for other purposes.

As of August 12, 2011, the Registrant had 123,785,429 outstanding shares of Common Stock.

Documents Incorporated by Reference

Parts of the Registrant s Proxy Statement for the Annual Meeting of Stockholders expected to be held on or about November 3, 2011 are incorporated by reference into Part III of this Form 10-K. (However, the Reports of the Audit Committee and Compensation Committee are expressly not incorporated by reference herein.)

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LAM RESEARCH CORPORATION

2011 ANNUAL REPORT ON FORM 10-K

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PART I

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Item 1. *Business*

Incorporated in 1980, Lam Research Corporation (Lam Research, Lam, we, or the Company) is headquartered in Fremont, California, and maintains a network of facilities throughout Asia, Europe, and North America in order to meet the needs of its global customer base.

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

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

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

All references to fiscal years apply to our fiscal years, which ended June 26, 2011, June 27, 2010, and June 28, 2009.

Lam Research is a leading supplier of wafer fabrication equipment and services to the worldwide semiconductor industry. For more than thirty years, we have contributed to the advancement of semiconductor manufacturing processes that have led to the proliferation of a variety of electronic products that impact our everyday lives, including cell phones, computers, memory, and networking equipment. The Company s customer base includes leading semiconductor memory, foundry, and integrated device manufacturers (IDMs) that make DRAM, NAND, and logic devices for these products.

We design, manufacture, market, refurbish, and service semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. We leverage our expertise in the areas of etch and single-wafer clean processing to develop technology and productivity solutions that typically benefit our customers through lower defect rates, enhanced yields, faster processing time, and/or reduced cost. Many of the technical advances that we introduce in our newest products are also available as upgrades to our installed base of equipment; this is a benefit that can provide customers with a cost-effective strategy for extending the performance and capabilities of their existing wafer fabrication lines.

Our innovative etch and clean technologies enable customers to build some of the world s highest-performing integrated circuits. Our etch systems shape the microscopic conductive and dielectric layers into circuits that define a chip s final use and function. Our broad portfolio of single-wafer clean technologies allows our customers to implement customized yield-enhancing solutions. With each successive technology node, additional requirements and challenges drive the need for advanced manufacturing solutions. We strive to consistently deliver these advanced capabilities with cost-effective production performance. Lam Research understands the close relationship between customer trust and the timely delivery of new solutions that leads to shared success with our customers.

Our Customer Support Business Group (CSBG) provides products and services to maximize installed equipment performance and operational efficiency. We offer a broad range of services to deliver value throughout the lifecycle of our equipment, including customer service, spares, upgrades, and refurbishment of our etch and clean products. While most semiconductor device manufacturers have transitioned to 300 mm wafer technology, there are still many who utilize 200 mm technology, requiring prior-generation equipment. To address this market and to meet customers needs for high-performance, low-risk equipment, our Reliant Systems Business offers a suite of new and refurbished Lam legacy equipment for etch and spin clean.

Etch Process

Etch processes, which are repeated numerous times during the wafer fabrication cycle, are required to manufacture every type of semiconductor device produced today. Our etch products selectively remove portions of various films from the wafer in the creation of semiconductor devices. These products use various plasma-based technologies to create the desired critical device features at current and future technology nodes. Plasma consists of charged and neutral particles that react with exposed portions of the wafer surface to remove dielectric or conductive materials and produce the finely defined features and patterns of an integrated circuit. Etch products are required to remove only the desired films and do so in a uniform fashion across the entire surface of the wafer. This process is becoming increasingly challenging as device feature sizes shrink, the complexity of the films being removed increases, and the tolerance for variability between devices and wafers becomes smaller.

Dielectric Etch

Dielectric etch often requires etching multi-layer film stacks. Smaller technology node sizes increase the complexity of the structures being etched, and repeatable on-wafer performance remains critical. In addition to the challenges introduced by new materials and scaling, device manufacturers focus on reducing overall cost per wafer has placed an increased emphasis on the ability to etch multiple films in the same chamber *(in situ)*.

DFC Technology

Production-proven in high-volume manufacturing for the more than 15 years, our patented Dual Frequency Confined technology has been extended to incorporate multi-frequency power with physically confined plasma. The application of power at different frequencies provides enhanced process flexibility and allows different materials to be etched in the same chamber. Physical confinement of the plasma to an area directly above the wafer minimizes chemical interaction with the chamber walls, eliminating potential polymer build-up that could lead to defects on the wafer. Confinement also enables our proprietary *in situ* Waferless Autoclean (WAC) technology to clean chamber components after each wafer has been etched. Used together, multi-frequency and WAC technologies provide a consistent process environment for every wafer, preventing process drift and ensuring repeatable process results wafer-to-wafer and chamber-to-chamber.

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2300® Exelan® Flex , 2300® Exelan® Flex45 , 2300® Flex D, 2300® Flex E Series Dielectric Etch Systems

Our 2300 Flex dielectric etch product family represents a continuous evolution of the productivity and performance benefits of DFC technology. The 2300 Flex family allows a single chamber design to meet the requirements of a wide range of applications at multiple nodes. Advances in system design, such as multiple frequencies, higher power capabilities and tunable wafer temperature, meet the more demanding uniformity and profile requirements for applications at the 32 nm node and beyond.

Conductor Etch

As the semiconductor industry continues to shrink critical feature sizes and improve device performance, a variety of new etch challenges have emerged. For conductor etch, these challenges include processing smaller features, new materials, and new 3-dimensional transistor structures on the wafer. Due to decreasing feature sizes, the etch process can now require atomic-level control across a 300 mm wafer. The incorporation of new metal gates and high-k dielectric materials in the device stack requires advanced multi-film etching capability. Furthermore, the adoption of double patterning techniques to address lithography challenges starting with the 3x technology node and beyond is driving the etch process to define the feature on the wafer as well as to transfer the pattern into the film. All of these challenges require today s conductor etch systems to provide advanced capabilities, while still providing high productivity.

TCP Technology

Introduced in 1992, our Transformer Coupled Plasma (TCP) technology continues to provide leading-edge capability for advanced conductor etch applications at the 32 nm node and beyond. By efficiently coupling radio frequency (RF) power into plasma at low pressures, the TCP technology provides capability to etch nanoscale features into silicon and metal films. The advanced TCP source design ensures a uniform, high-density plasma across the wafer, without requiring magnetic enhancements that could cause device damage. With a wide process window over a range of power, chemistry, and pressure combinations, TCP technology provides the flexibility required to perform multiple etch steps in the same chamber.

2300® Versys® Kiyo® , 2300® Versys® Kiyo45 , 2300® Kiyo® C Series, 2300® Kiyo® E Series, 2300® Versys® Metal, 2300® Versys® Metal45 , 2300® Versys® Metal L Conductor Etch Systems

Now in its fourth generation, the 2300 Kiyo product family combines iterative advances in technology to provide critical dimension (CD) uniformity and productivity for a wide range of conductor etch applications. The 2300 Versys Metal product family leverages Lam s proprietary TCP technology to provide a flexible platform for back-end-of-line metal etch processes. Our etch products perform production-proven *in situ* etches of complex features. In addition, proprietary pre-coat and post-etch chamber clean techniques provide the same environment for superior repeatability, as well as high uptime and yield wafer after wafer.

Three-Dimensional Integrated Circuit Etch

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

2300® Syndion® Through-Silicon Via Etch System

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

MEMS and Deep Silicon Etch

Deep silicon etch is an enabling process for several emerging technologies, including MEMS devices, CMOS image sensors, and power devices. Many of these technologies are increasingly being used in consumer applications, such as ink jet printer heads, accelerometers, and inertial sensors. This is driving a number of deep silicon etch applications to transition into high-volume manufacturing, which requires the high levels of cost-effective production typically seen in commodity semiconductor memory devices. To achieve high yield in mass production, the deep silicon etch process requires wafer-to-wafer repeatability.

TCP® 9400DSiE Deep Silicon Etch System

The TCP 9400DSiE system is based on our production-proven TCP 9400 silicon etch series. The system s patented high-density TCP plasma source provides a configuration to meet the challenges of silicon deep reactive ion etch. This offers broad process capability and flexibility for a wide range of MEMS, advanced packaging, power semiconductor applications, and TSV applications on 150 mm and 200 mm wafers. In addition, incorporation of our proprietary *in situ* chamber cleaning technology provides etch rate stability.

Clean Process

The manufacture of semiconductor devices involves a series of processes such as etch, deposition, and implantation, which leave particles and residues on the surface of the wafer. The wafer must generally be cleaned after these steps to remove particles and residues that could adversely impact the processes that immediately follow them and degrade device performance. Common wafer cleaning steps include post-etch and post-strip cleans and pre-diffusion and pre-deposition cleans, among others.

As device manufacturers transition to the 32 nm and 28 nm technology nodes, it becomes increasingly more challenging to efficiently remove particles and residues while at the same time minimizing substrate material loss, protecting structures with fragile new materials and smaller feature sizes, and efficient drying. Similarly, as manufacturers transition to smaller technology nodes, managing particle build-up on the back-side of the wafer surface is becoming more critical. Single-wafer wet processing provides an advantage over batch cleaning by preventing particles from migrating from the back-side of a wafer to the front-side during the cleaning steps. In addition, management of potential defect sources at the wafer edge becomes increasingly challenging as new materials are introduced in the process flow.

Single-Wafer Wet Clean

As device geometries shrink and new materials are introduced, device flows become more complex, and the number of wafer cleaning steps increases. The need to have better control of the cleaning process, to increase overall clean efficiency, and to clean fragile structures without causing damage are reasons why chipmakers are turning to single-wafer wet clean processing technology for next-generation devices.

Over the past decade, a transition from batch to single-wafer processing has occurred for back-end-of-line wet clean applications. More recently the migration for front-end-of-line wet clean applications has started to accelerate as the need for higher particle removal efficiency without device structure damage becomes more critical. Single-wafer wet processing is particularly advantageous for those applications where improved defect performance (removing particles without damaging the wafer pattern) or enhanced selectivity and CD control can improve yield.

Spin Clean Products: SP Series, Da Vinci® , DV-Prime®

Introduced over 20 years ago, our spin technology for cleaning and removing films has assisted the industry transition from batch to single-wafer wet processing. This proven technology provides the productivity and flexibility needed for both high-volume manufacturing and leading-edge development across multiple technology nodes and for all device types. By offering advanced dilute chemistry and solvent solutions in our systems, our spin wet clean systems address certain defectivity and material integrity requirements. In addition, our unique wafer chuck design provides the ability to effectively clean the back-side of the wafer without damaging the devices on the front-side of the wafer surface.

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Linear Clean Product: 2300® Serene®

To meet the challenges of smaller critical dimensions, increasing aspect ratios, and new materials integration, our 2300 Serene wet clean system is targeted at applications requiring high-selectivity residue removal without damaging sensitive device structures. The system s C3® (Confined Chemical Cleaning) technology combines linear wafer motion with chemically-driven single-wafer cleaning to remove residues with chemical exposure times as short as a few seconds. The cleaning exposure time is optimized for efficient removal of the target materials, while limiting the impact on critical materials. This technology addresses applications that require high-selectivity cleaning, such as high-k metal gate post-etch clean.

Plasma-Based Bevel Clean

Semiconductor manufacturers are paying increasing attention to the wafer edge as a source of yield limiting defects. New materials like porous low-k and organic films often do not adhere as well as traditional silicon or polymer-based films and have the potential to be significant defect sources. By including cleaning steps that target the bevel region, the number of good die at the wafer s edge can be increased to maximize yield.

2300® Coronus® Plasma Bevel Clean System

The 2300 Coronus plasma bevel clean system incorporates plasma technology to remove yield limiting defect sources. The system combines the ability of plasma to selectively remove a wide variety of materials with a proprietary confinement technology that protects the die area. Incorporating our Dynamic Alignment technology on the production-proven 2300 platform, the Coronus system provides highly accurate wafer placement for repeatable process results and superior encroachment control and is designed to remove a wide range of material types, in multiple applications, throughout the manufacturing process flow.

Research and Development

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

Our R&D expenses during fiscal years 2011, 2010, and 2009 were $373.3 million, $320.9 million, and $288.3 million, respectively. The majority of R&D spending over the past three years has been targeted at etch and other plasma-based technologies, single-wafer clean, and other semiconductor manufacturing products. We believe current challenges for customers at various points in the semiconductor manufacturing process present opportunities for us.

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

Marketing, Sales, and Service

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

We provide standard warranties for our systems. The warranty provides that systems shall be free from defects in material and workmanship and conform to agreed-upon specifications. The warranty is limited to repair of the defect or replacement with new or like-new equivalent goods and is valid when the buyer provides

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prompt notification within the warranty period of the claimed defect or non-conformity and also makes the items available for inspection and repair. We also offer extended warranty packages to our customers to purchase as desired.

International Sales

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

	Year Ended June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009
Revenue:			
United States	$ 393,004	$ 186,036	$ 171,359
Europe	423,148	133,685	121,178
Japan	405,371	318,641	234,070
Korea	756,660	539,312	239,911
Taiwan	766,910	703,854	208,053
Asia Pacific	492,600	252,248	141,375
Total revenue	$ 3,237,693	$ 2,133,776	$ 1,115,946

Customers

Our customers include many of the world s leading semiconductor manufacturers. Customers continue to establish joint ventures, alliances and licensing arrangements which have the potential to positively or negatively impact our competitive position and market opportunities. In fiscal year 2011, revenues from Samsung Electronics Company, Ltd. accounted for approximately 24% of total revenues. In fiscal year 2010, revenues from Samsung Electronics Company, Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., and Toshiba Corporation accounted for approximately 24%, 15%, and 11%, respectively, of total revenues. In fiscal year 2009, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 11%, respectively, of total revenues.

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

Backlog

In general, we schedule production of our systems based upon our customers delivery requirements. In order for a system to be included in our backlog, the following conditions must be met: 1) we have received a written customer request that has been accepted, 2) we have an agreement on prices and product specifications, and 3) there is a scheduled shipment within the next 12 months. The spares and services backlog includes customer orders where written customer requests have been accepted and the delivery of products or provision of services is anticipated within the next 12 months. Where specific spare parts and customer service purchase contracts do not contain discrete delivery dates, we use volume estimates at the contract price and over the contract period, not exceeding 12 months, in calculating backlog amounts. Our policy is to revise our backlog for order cancellations and to make adjustments to reflect, among other things, changes in spares volume estimates and customer delivery date changes. At June 26, 2011 and June 27, 2010, our backlog was approximately $641 million and $667 million, respectively. Generally, orders for our products and services are subject to cancellation

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by our customers with limited penalties. Because some orders are received and shipped in the same quarter and because customers may change delivery dates and cancel orders, our backlog at any particular date is not necessarily indicative of business volumes or actual revenue levels for succeeding periods.

Manufacturing

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

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

Certain components and sub-assemblies that we include in our products may only be obtained from a single supplier. We believe that, in many cases, we could obtain and qualify alternative sources to supply these products. Nevertheless, any prolonged inability to obtain these components could have an adverse effect on our operating results and could unfavorably impact our customer relationships.

Environmental Matters

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

Employees

As of August 12, 2011, we had approximately 3,700 regular employees. Although we have employment-related agreements with a number of key employees, these agreements do not guarantee continued service. Each of our employees is required to comply with our policies relating to maintaining the confidentiality of our non-public information.

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

Competition

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

We face significant competition with all of our products and services. Our primary competitors in the etch market are Tokyo Electron, Ltd. and Applied Materials, Inc. Our primary competitor in the single-wafer wet clean market is Dainippon Screen Manufacturing Co. Ltd.

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

Patents and Licenses

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

EXECUTIVE OFFICERS OF THE COMPANY

As of August 19, 2011, the executive officers of Lam Research were as follows:

Name	Age	Title
Stephen G. Newberry	57	Chief Executive Officer and Vice Chairman
Martin B. Anstice	44	President and Chief Operating Officer
Ernest E. Maddock	53	Senior Vice President, Chief Financial Officer and Chief Accounting Officer
Richard A. Gottscho	59	Senior Vice President, Global Products and General Manager, Etch Product Group
Mike Morita	62	Vice President, Business Development
Mukund Srinivasan	42	Vice President and General Manager, Clean Product Group
Sarah A. O Dowd	61	Group Vice President, Human Resources and Chief Legal Officer

Stephen G. Newberry is Lam s Chief Executive Officer and was named vice chairman of the Company s Board of Directors in December 2010. He joined Lam Research in August 1997 as Executive Vice President and

Chief Operating Officer and was promoted to the position of President and Chief Operating Officer in July 1998. In June 2005, he was named President and Chief Executive Officer. Mr. Newberry currently serves as a director of Lam Research, Nanometrics Inc., and Semiconductor Equipment and Materials International (SEMI), the industry s trade association. He also serves as a member of the Haas Advisory Board, Haas School of Business, University of California at Berkeley and as a member of the Dean s Advisory Council, University of California at Davis Graduate School of Management. Prior to joining Lam Research, Mr. Newberry was Group Vice President of Global Operations and Planning at Applied Materials, Inc. Mr. Newberry served five years in naval aviation prior to joining Applied Materials. He is a graduate of the U.S. Naval Academy and the Harvard Graduate School of Business Program for Management Development.

Martin Anstice serves as the Company s Chief Operating Officer and was promoted to President in December 2010. He joined Lam Research in April 2001 as Senior Director, Operations Controller, was promoted to the position of Managing Director and Corporate Controller in May 2002, and was promoted to Group Vice President, Chief Financial Officer, and Chief Accounting Officer in June 2004, was named Senior Vice President, Chief Financial Officer and Chief Accounting Officer in March 2007, and was promoted to Executive Vice President, Chief Operating Officer, in September 2008. Mr. Anstice began his career at Raychem Corporation where, during his 13-year tenure, he held numerous finance roles of increasing responsibility in Europe and North America. Subsequent to Tyco International s acquisition of Raychem in 1999, he assumed responsibilities supporting mergers and acquisition activities of Tyco Electronics. Mr. Anstice is an associate member of the Chartered Institute of Management Accountants in the United Kingdom.

Ernest E. Maddock was appointed Senior Vice President and Chief Financial Officer of Lam Research in September 2008. Additionally, Mr. Maddock oversees Information Technology and heads Silfex Incorporated (formerly Bullen Semiconductor Corporation), a division of Lam Research. From October 2003 through September 2008, Mr. Maddock held the position of Senior Vice President of Global Operations at Lam Research, overseeing Information Technology, Global Supply Chain, Production Operations, Corporate Quality, Global Security, and Global Real Estate & Facilities. Mr. Maddock also held the position of Vice President of the Customer Support Business Group (CSBG) with the Company. Mr. Maddock joined the Company in November 1997. Prior to his employment with Lam Research, Mr. Maddock was Managing Director, Global Logistics and Repair Services Operations, and Chief Financial Officer, Software Products Division, of NCR Corporation. He has also held a variety of executive roles in finance and operations in several industries ranging from commercial real estate to telecommunications.

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

Mike Morita was appointed Vice-President of Business Development and Chairman of Lam Research Japan in January 2011. Mr. Morita joined Lam Research in January 2004 as Regional Vice President for Lam Research Japan. Prior to joining Lam Research, he spent 20 years at Applied Materials where he held numerous positions such as Group Vice President of Etch Product Group, President of Applied Materials, Japan, General Manager of Metal Etch and Director of PVD/CVD/EP I Product Group. Mr. Morita began his career at Komatsu International Manufacturing Company where during his 10-year tenure, he held roles in planning, marketing and business management. Mr. Morita holds a Bachelor of Science in Mechanical Engineering degree from the Science University of Tokyo.

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Mukund Srinivasan joined Lam Research in 1996 after completing his Ph.D. in Mechanical Engineering from the University of California at Berkeley. Over the past 14 years he held various positions in the Dielectric Etch organization in product and process engineering, managing customer technology groups, and eventually as the product line head for three years. After a brief stint as the head of the Business Development organization, he assumed the role of General Manager, Clean Product Group in August 2010.

Sarah A. O Dowd joined Lam Research in September 2008 as Group Vice President and Chief Legal Officer, and was appointed Group Vice President, Human Resources and Chief Legal Officer in April 2009. Prior to joining Lam Research, Ms. O Dowd served as Vice President and General Counsel for FibroGen, Inc. from February 2007 until September 2008. Until February 2007, Ms. O Dowd was a shareholder in the law firm of Heller Ehrman LLP for more than twenty years.

Item 1A. ***Risk Factors***

In addition to the other information in this 2011 Form 10-K, the following risk factors should be carefully considered in evaluating the Company and its business because such factors may significantly impact our business, operating results, and financial condition. As a result of these risk factors, as well as other risks discussed in our other SEC filings, our actual results could differ materially from those projected in any forward-looking statements. No priority or significance is intended, nor should be attached, to the order in which the risk factors appear.

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

The business cycle in the semiconductor equipment industry has historically been characterized by frequent periods of rapid change in demand that challenge our management to adjust spending and other resources allocated to operating activities. During periods of rapid growth or decline in demand for our products and services, we face significant challenges in maintaining adequate financial and business controls, management processes, information systems, procedures for training and managing our work force, and in appropriately sizing our supply chain infrastructure, work force, and other components of our business on a timely basis. If we do not adequately meet these challenges during periods of demand decline, our gross margins and earnings may be negatively impacted. In late 2008 and throughout 2009, the semiconductor industry experienced a general decline in demand, leading to a steep decline in demand for our products and services. In response to that industry demand decline and in an effort to minimize the disruptive effects of the deteriorating economic conditions on our business operating results, we made difficult resource allocation decisions, including layoffs and restructurings.

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

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

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

Our business depends on the capital equipment expenditures of semiconductor manufacturers, which in turn depend on the current and anticipated market demand for integrated circuits. The semiconductor industry is cyclical in nature and historically experiences periodic downturns. Global economic and business conditions, which are often unpredictable, have historically impacted customer demand for our products and normal commercial relationships with our customers, suppliers, and creditors. Additionally, in times of economic

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uncertainty, some of our customers budgets for our products, or their ability to access credit to purchase them, could be adversely affected. This would limit their ability to purchase our products and services. As a result, economic downturns can cause material adverse changes to our results of operations and financial condition including, but not limited to:

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

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

Our Quarterly Revenues and Operating Results Are Unpredictable

Our revenues and operating results may fluctuate significantly from quarter to quarter due to a number of factors, not all of which are in our control. We manage our expense levels based in part on our expectations of future revenues. Because our operating expenses are based in part on anticipated future revenues, and a certain amount of those expenses are relatively fixed, a change in the timing of recognition of revenue and/or the level of gross profit from a small number of transactions can unfavorably affect operating results in a particular quarter. Factors that may cause our financial results to fluctuate unpredictably include, but are not limited to:

- economic conditions in the electronics and semiconductor industries in general and specifically the semiconductor equipment industry;

- the size and timing of orders from customers;
- procurement shortages;
- the failure of our suppliers or outsource providers to perform their obligations in a manner consistent with our expectations;
- manufacturing difficulties;
- customer cancellations or delays in shipments, installations, and/or customer acceptances;
- the extent that customers continue to purchase and use our products and services in their business;
- changes in average selling prices, customer mix, and product mix;
- our ability in a timely manner to develop, introduce and market new, enhanced, and competitive products;

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- our competitors introduction of new products;
- legal or technical challenges to our products and technology;
- transportation, communication, demand, information technology or supply disruptions based on factors outside our control such as strikes, acts of God, wars, terrorist activities, and natural disasters;
- legal, tax, accounting, or regulatory changes (including but not limited to change in import/export regulations) or changes in the interpretation or enforcement of existing requirements;
- changes in our estimated effective tax rate;
- foreign currency exchange rate fluctuations; and
- the dilutive impact of our convertible notes and related warrants on our earnings per share.

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

As a result of the sale of our convertible notes (Notes), we have a greater amount of debt than we have maintained in the past. Our maintenance of higher levels of indebtedness could have adverse consequences including:

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

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

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

We Derive Our Revenues Primarily from a Relatively Small Number of High-Priced Systems

System sales constitute a significant portion of our total revenue. Our systems are priced up to approximately $6 million per unit, and our revenues in any given quarter are dependent upon the acceptance of a limited number of systems. As a result, the inability to recognize revenue on even a few systems can cause a significantly adverse impact on our revenues for a given quarter.

We Have a Limited Number of Key Customers

Sales to a limited number of large customers constitute a significant portion of our overall revenue, shipments and profitability. As a result, the actions of even one customer may subject us to variability in those areas that are difficult to predict. In addition, large customers may be able to negotiate requirements that result in

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increased costs and/or lower margins for us. Similarly, significant portions of our credit risk may, at any given time, be concentrated among a limited number of customers, so that the failure of even one of these key customers to pay its obligations to us could significantly impact our financial results. As of June 26, 2011, three customers accounted for approximately 17%, 14%, and 10 % of accounts receivable. As of June 27, 2010, two customers accounted for approximately 24% and 22 % of accounts receivable.

Variations in the Amount of Time it Takes for Our Customers to Accept Our Systems May Cause Fluctuation in Our Operating Results

We generally recognize revenue for new system sales on the date of customer acceptance or the date the contractual customer acceptance provisions lapse. As a result, the fiscal period in which we are able to recognize new systems revenues is typically subject to the length of time that our customers require to evaluate the performance of our equipment after shipment and installation, which may vary from customer to customer and tool to tool. Such variations could cause our quarterly operating results to fluctuate.

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

Rapid technological changes in semiconductor manufacturing processes subject us to increased pressure to develop technological advances that enable those processes. We believe that our future success depends in part upon our ability to develop and offer new products with improved capabilities and to continue to enhance our existing products. If new products have reliability, quality, or design problems, our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. We may be unable to develop and manufacture new products successfully, or new products that we introduce may fail in the marketplace. Our failure to commercialize these new products in a timely manner could result in unanticipated costs and inventory obsolescence, which would adversely affect our financial results.

In order to develop new products and processes, we expect to continue to make significant investments in R&D and to pursue joint development relationships with customers, suppliers or other members of the industry. We must manage product transitions and joint development relationships successfully, as the introduction of new products could adversely affect our sales of existing products. Moreover, future technologies, processes or product developments may render our current product offerings obsolete, leaving us with non-competitive products, or obsolete inventory, or both.

We are Subject to Risks Relating to Product Concentration and Lack of Product Revenue Diversification

We derive a substantial percentage of our revenues from a limited number of products, and we expect our etch and clean products to continue to account for a large percentage of our revenues in the near term. Continued market acceptance of these products is, therefore, critical to our future success. Our business, operating results, financial condition, and cash flows could therefore be adversely affected by:

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

- a failure to release new or enhanced versions of our products on a timely basis.

In addition, the fact that we offer limited product lines creates the risk that our customers may view us as less important to their business than our competitors that offer additional products as well. This may impact our ability to maintain or expand our business with certain customers. Such product concentration may also subject us to additional risks associated with technology changes. Since we are a provider of etch and clean equipment,

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our business is affected by our customers   use of etching and clean steps in their processes. Should technologies change so that the manufacture of semiconductor chips requires fewer etching or clean steps, this could have a larger impact on our business than it would on the business of our less concentrated competitors.

Strategic Alliances May Have Negative Effects on Our Business

Increasingly, semiconductor manufacturing companies are entering into strategic alliances with one another to expedite the development of processes and other manufacturing technologies. Often, one of the outcomes of such an alliance is the definition of a particular tool set for a certain function or a series of process steps that use a specific set of manufacturing equipment. While this could work to our advantage if our equipment becomes the basis for the function or process, it could work to our disadvantage if a competitor s tools or equipment become the standard equipment for such function or process. In the latter case, even if our equipment was previously used by a customer, that equipment may be displaced in current and future applications by the tools standardized by the alliance.

Similarly, our customers may team with, or follow the lead of, educational or research institutions that establish processes for accomplishing various tasks or manufacturing steps. If those institutions utilize a competitor s equipment when they establish those processes, it is likely that customers will tend to use the same equipment in setting up their own manufacturing lines. These actions could adversely impact our market share and financial results.

We are Dependent On a Limited Number of Key Suppliers

We obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. We have established long-term contracts with many of these suppliers. These long-term contracts can take a variety of forms. We may renew these contracts periodically. In some cases, these suppliers have sold us products for a substantial period of time, and we expect that we and they will continue to renew these contracts in the future or that we will otherwise replace them with competent alternative suppliers. However, certain of our suppliers are relatively new providers to us so that our experience with them and their performance is limited. Where practical, we intend to establish alternative sources to mitigate the risk that the failure of any single supplier will adversely affect our business. Nevertheless, a prolonged inability to obtain certain components could impair our ability to ship products and generate revenues, which could adversely affect our operating results and damage to our customer relationships.

Our Outsource Providers May Fail to Perform as We Expect

Outsource providers have played and will continue to play a key role in our manufacturing operations and in many of our transactional and administrative functions, such as information technology, facilities management, and certain elements of our finance organization. Although we attempt to select reputable providers and secure their performance on terms documented in written contracts, it is possible that one or more of these providers could fail to perform as we expect and such failure could have an adverse impact on our business.

In addition, the expansive role of our outsource providers has required and may continue to require us to implement changes to our existing operations and to adopt new procedures to deal with and manage the performance of these outsource providers. Any delay or failure in the implementation of our operational changes and new procedures could adversely affect our customer and/or employee relationships, which could have a negative effect on our operating results.

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

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

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We Face a Challenging and Complex Competitive Environment

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

We believe that to remain competitive we must devote significant financial resources to offer a broad range of products, to maintain customer service and support centers worldwide, and to invest in product and process R&D. Certain of our competitors, especially those that are created and financially backed by foreign governments, have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer service and support resources than we do and therefore have the potential to increasingly dominate the semiconductor equipment industry. These competitors may deeply discount or give away products similar to those that we sell, challenging or even exceeding our ability to make similar accommodations and threatening our ability to sell those products. We also face competition from our own customers, who in some instances have established affiliated entities that manufacture equipment similar to ours. For these reasons, we may fail to continue to compete successfully worldwide.

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

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

Non-U.S. sales accounted for approximately 88% of total revenue in fiscal year 2011, 91% of total revenue in fiscal year 2010, and 85% of total revenue in fiscal year 2009. We expect that international sales will continue to account for a substantial portion of our total revenue in future years.

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

- trade balance issues;
- global economic and political conditions;
- changes in currency controls;
- differences in the enforcement of intellectual property and contract rights in varying jurisdictions;
- our ability to respond to customer and foreign government demands for locally sourced systems, spare parts and services and develop the necessary relationships with local suppliers;
- compliance with U.S. and international laws and regulations affecting foreign operations, including U.S. export restrictions;
- fluctuations in interest and foreign currency exchange rates;

- the need for technical support resources in different locations; and

- our ability to secure and retain qualified people in all necessary locations for the successful operation of our business.

Certain international sales depend on our ability to obtain export licenses from the U.S. government. Our failure or inability to obtain such licenses would substantially limit our markets and severely restrict our revenues. Many of the challenges noted above are applicable in China, which is a fast developing market for the semiconductor equipment industry and therefore an area of potential significant growth for our business. As the

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business volume between China and the rest of the world grows, there is inherent risk, based on the complex relationships among China, Taiwan, Japan, South Korea, and the United States, that political and diplomatic influences might lead to trade disruptions. This would adversely affect our business with China, Taiwan, Japan, and/or South Korea and perhaps the entire Asia Pacific region. A significant trade disruption in these areas could have a materially adverse impact on our future revenue and profits.

We are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our sales and expenses are denominated in U.S. dollars. However, we are exposed to foreign currency exchange rate fluctuations related to certain of our revenues denominated in Japanese yen and Euros, as well as certain of our spares and service contracts, Euro denominated expenses, and expenses related to our non-U.S. sales and support offices that are denominated in the related countries local currency.

We currently enter into foreign exchange forward contracts to minimize the short-term impact of the foreign currency exchange rate fluctuations on Japanese yen-denominated (JPY) revenue and monetary assets and liabilities, Euro-denominated (EUR) expenses and monetary assets and liabilities, as well as monetary assets and liabilities denominated in Swiss francs (CHF) and Taiwanese dollars (TWD). We believe these are our primary exposures to currency rate fluctuation. We expect to continue to enter into hedging transactions, for the purposes outlined, for the foreseeable future. However, these hedging transactions may not achieve their desired effect because differences between the actual timing of the underlying exposures and our forecasts of those exposures may leave us either over- or under-hedged on any given transaction. Moreover, by hedging these foreign currency denominated revenues, expenses, monetary assets and liabilities with foreign exchange forward contracts, we may miss favorable currency trends that would have been advantageous to us but for the hedges. Additionally, we are exposed to short-term foreign currency exchange rate fluctuations on non-U.S. dollar-denominated (USD) assets and liabilities (other than those currency exposures previously discussed) and currently we do not enter into foreign exchange forward contracts to hedge these other foreign currency exposures. Therefore, we are subject to both favorable and unfavorable foreign currency exchange rate fluctuations to the extent that we transact business (including intercompany transactions) in other currencies.

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

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

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

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

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

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

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

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

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

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

In addition, any acquisition could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets, and goodwill impairment charges, any of which could materially adversely affect our business, financial condition, and results of operations and/or the price of our Common Stock.

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

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

- general market, semiconductor, or semiconductor equipment industry conditions;

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

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

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

Third parties may assert infringement, unfair competition, product liability, breach of contract, or other claims against us. From time to time, other parties send us notices alleging that our products infringe their patent or other intellectual property rights. In addition, law enforcement authorities may seek criminal charges relating to intellectual property or other issues. We also face risks of claims arising from commercial and other relationships. In addition, our Bylaws and indemnity obligations provide that we will indemnify officers and directors against losses that they may incur in legal proceedings resulting from their service to Lam Research. In such cases, it is our policy either to defend the claims or to negotiate licenses or other settlements on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses or reach agreement on other settlements on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially adversely affect our business and financial results, and we may be subject to substantial damage awards and penalties. Moreover, although we have insurance to protect us from certain claims and cover certain losses to our property, such insurance may not cover us for the full amount of any losses, or at all, and may be subject to substantial exclusions and deductibles.

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

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

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

None.

Item 2. ***Properties***

Our executive offices and principal operating and R&D facilities are located in Fremont, California, and Livermore, California, and are held under operating leases expiring from fiscal years 2012 to 2015. These leases generally include options to renew or purchase the facilities. In addition, we lease properties for our service, technical support and sales personnel throughout the United States, Europe, Taiwan, Korea, Japan, and Asia Pacific and own manufacturing facilities located in Eaton, Ohio and Villach, Austria. Our fiscal years 2011, 2010, and 2009 rental expense for the space occupied during those periods aggregated approximately $9 million, $6 million, and $9 million respectively. Our facilities lease obligations are subject to periodic increases. We believe that our existing facilities are well-maintained and in good operating condition.

Item 3. ***Legal Proceedings***

From time to time, we have received notices from third parties alleging infringement of their patent or other intellectual property rights. In such cases it is our policy to defend the claims, or negotiate licenses on commercially reasonable terms as appropriate. The Company does not believe that any of these matters will have a material adverse effect on its consolidated financial condition or results of operations. However, no assurance can be given that we will be able to negotiate necessary licenses on commercially reasonable terms, or at all. Any litigation resulting from such claims could have a materially adverse effect on our consolidated financial position, liquidity, operating results, or our consolidated financial statements taken as a whole.

Item 4. ***Removed and Reserved***

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PART II

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

Our Common Stock is traded on the Nasdaq Global Select Market under the symbol LRCX. As of August 12, 2011 we had 339 stockholders of record. In fiscal years 2011 and 2010 we did not declare or pay cash dividends to our stockholders. We currently have no plans to declare or pay cash dividends. The table below sets forth the high and low prices of our common stock as reported by The NASDAQ Stock Market, Inc. for the period indicated:

	2011	
	High	**Low**
First Quarter	$ 43.76	$ 35.39
Second Quarter	$ 52.91	$ 36.77
Third Quarter	$ 59.10	$ 46.27
Fourth Quarter	$ 57.41	$ 41.77

	2010	
	High	**Low**
First Quarter	$ 35.44	$ 24.43
Second Quarter	$ 39.80	$ 32.17
Third Quarter	$ 41.56	$ 32.07
Fourth Quarter	$ 43.42	$ 35.33

On September 8, 2008, the Board of Directors authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases. This repurchase program had no termination date, could have been suspended or discontinued at any time, and was funded using our available cash. We temporarily suspended repurchases under the program during the December 2008 quarter. On February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. We completed the repurchase of all amounts available under this share repurchase authorization during the quarter ended September 26, 2010.

On September 10, 2010, the Board of Directors authorized the repurchase of up to an additional $250 million of Company common stock using our available cash. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions. This repurchase program has no termination date and may be suspended or discontinued at any time.

As part of our share repurchase program, we may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. These arrangements generally require us to make an up-front cash payment in exchange for the right to receive shares of our common stock or cash at the expiration of the agreement, dependent upon the closing price of the Corporation s common stock at the maturity date. During 2011 we entered into structured share repurchase arrangements which, in the aggregate, required up-front cash payments totaling $200 million. One of these arrangements, which required us to make an upfront cash payment of $50.0 million, settled during 2011 and based on the closing price of our common stock on the maturity date resulted in us receiving a $50.4 million cash payment, and therefore did not result in the repurchase of any shares of our common stock. As of June 26, 2011, aggregate prepayments of $150 million were outstanding under two such arrangements. These arrangements settle in October 2011 and will result in the receipt of either 1.4 million shares of our common stock or $51.0 million under the first arrangement, and 2.6 million shares of our common stock or $103.5 million under the second arrangement. Under these arrangements, any prepayments or cash payments at settlement are recorded as a component of additional paid in capital in our Consolidated Balance Sheet as of June 26, 2011.

On May 11, 2011 we used a portion of the net proceeds from our convertible note offering to repurchase 1,000,000 shares of Company common stock at a purchase price of $47.56 per share.

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

Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Amount Available Under Repurchase Program
	(in thousands, except per share data)			
Amount available at June 27, 2010				$ 130,693
Quarter Ending September 26, 2010	3,408	$ 38.56	3,389	$
Authorization of up to $250 million September 2010				$ 250,000
Quarter Ending December 26, 2010	91	$ 45.20		$ 250,000
Quarter Ending March 27, 2011	160	$ 53.94		$ 250,000
March 28, 2011 April 24, 2011	2	$ 54.15		$ 250,000
April 25, 2001 May 22, 2011	1,087	$ 47.69		$ 250,000
May 23, 2011 June 26, 2011	42	$ 43.04	18	$ 249,244
Total	4,790	$ 41.31	3,407	

(1) In addition to shares repurchased under Board authorized repurchase programs, included in this column are (i) 1,000,000 shares repurchased at a total cost of $47.6 million in connection with the convertible note offering and authorized by the Board independent of the publicly announced repurchase program and (ii) 383,000 shares acquired at a total cost of $18.9 million which the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company s equity compensation plans. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company s equity compensation plans.

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The graph below compares Lam Research Corporation s cumulative 5-year total shareholder return on common stock with the cumulative total returns of the NASDAQ Composite index and the Research Data Group, Incorporated (RDG) Semiconductor Composite index. The graph tracks the performance of a $100 investment in our common stock and in each of the indices (with the reinvestment of all dividends) from June 30, 2006 to June 30, 2011.

	6/06	6/07	6/08	6/09	6/10	6/11
Lam Research Corporation	**100.00**	**110.02**	**77.38**	**55.65**	**81.46**	**94.78**
NASDAQ Composite	**100.00**	**122.33**	**108.31**	**86.75**	**100.42**	**132.75**
RDG Semiconductor Composite	**100.00**	**118.52**	**100.60**	**74.75**	**90.03**	**113.23**

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

	Year Ended				
	June 26, 2011 (1)	June 27, 2010 (1)	June 28, 2009 (1)	June 29, 2008 (1)	June 24, 2007
	(in thousands, except per share data)				
OPERATIONS:					
Revenue	$ 3,237,693	$ 2,133,776	$ 1,115,946	$ 2,474,911	$ 2,566,576
Gross margin	1,497,232	969,935	388,734	1,173,406	1,305,054
Goodwill impairment (2)			96,255		
Restructuring charges and asset impairments, net (3)	11,579	21,314	44,513	6,366	
409A expense (4)		(38,590)	3,232	44,494	
Legal judgment			4,647		
In-process research and development				2,074	
Operating income (loss)	804,285	425,410	(281,243)	509,431	778,660
Net income (loss)	723,748	346,669	(302,148)	439,349	685,816
Net income (loss) per share:					
Basic	$ 5.86	$ 2.73	$ (2.41)	$ 3.52	$ 4.94
Diluted	$ 5.79	$ 2.71	$ (2.41)	$ 3.47	$ 4.85
BALANCE SHEET:					
Working capital	$ 2,592,506	$ 1,198,004	$ 855,064	$ 1,280,028	$ 743,563
Total assets	4,057,394	2,487,392	1,993,184	2,806,755	2,101,605
Long-term obligations, less current portion	903,263	160,600	158,019	385,132	252,487

(1) Fiscal year 2011, 2010, 2009 and 2008 amounts include the operating results of SEZ from the acquisition date of March 11, 2008. The acquisition was accounted for as a business combination in accordance with the applicable accounting guidance.

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

(3) Restructuring charges and asset impairments, net exclude restructuring charges included in cost of goods sold and reflected in gross margin of $3.4 million, $21.0 million, and $12.6 million for fiscal years 2010, 2009, and 2008, respectively. Restructuring and asset impairment amounts included in cost of goods sold and reflected in gross margin during fiscal year 2010 primarily related to asset impairments for production efficiencies and shifts in product demands partially offset by the recovery of expenses related to previously impaired inventory. Restructuring amounts included in cost of goods sold and reflected in gross margin during fiscal year 2009 primarily relate to the Company s alignment of its cost structure with the outlook for the current economic environment and future business opportunities. The restructuring amounts in fiscal year 2008 primarily related to the integration of SEZ.

(4) 409A expense excludes a credit included in cost of goods sold and reflected in gross margin of $5.8 million in fiscal year 2010 related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A (409A) expenses from the 2007 voluntary independent stock option review. 409A expense excludes an expense included in cost of goods sold and reflected in gross margin of $6.4 million during fiscal year 2008. Following a voluntary independent review of its historical stock option granting process, the Company considered whether Section 409A of the Internal Revenue Code of 1986, as amended (IRC), and similar provisions of state law, applied to certain stock option grants as to which, under the applicable accounting guidance, intrinsic value was deemed to exist at the time of the options measurement dates. If, under applicable tax principles, an employee stock option is not considered as granted with an exercise price equal to the fair market value of the underlying stock on the

grant date, then the optionee may be subject to federal and state penalty taxes under Section 409A (collectively, Section 409A liabilities). On March 30, 2008, the Board of Directors authorized the Company (i) to assume potential Section 409A Liabilities, inclusive of applicable penalties and interest, of current and past employees arising from the exercise in 2006 or 2007 of Company stock options that vested after 2004, and (ii) if necessary, to compensate such employees for additional tax liability associated with that assumption.

UNAUDITED SELECTED QUARTERLY FINANCIAL DATA

	Three Months Ended (1)			
	June 26, 2011	March 27, 2011	December 26, 2010	September 26, 2010
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2011:				
Revenue	$ 752,018	$ 809,087	$ 870,714	$ 805,874
Gross margin	338,454	374,019	407,433	377,326
Restructuring and asset impairments operating expenses	16,742			(5,163)
Operating income	142,191	196,996	241,104	223,994
Net income	125,928	182,240	221,856	193,724
Net income per share				
Basic	$ 1.02	$ 1.47	$ 1.80	$ 1.57
Diluted	$ 1.01	$ 1.45	$ 1.78	$ 1.55
Number of shares used in per share calculations:				
Basic	123,863	123,674	123,101	123,665
Diluted	125,086	125,293	124,786	125,202

	Three Months Ended (1)			
	June 27, 2010	March 28, 2010	December 27, 2009	September 27, 2009
	(in thousands, except per share data)			
QUARTERLY FISCAL YEAR 2010:				
Revenue	$ 695,289	$ 632,763	$ 487,176	$ 318,548
Restructuring and asset impairments cost of goods sold	3,438			
409A expense cost of goods sold			(2,696)	(3,120)
Gross margin	321,442	292,871	221,187	134,435
Restructuring and asset impairments operating expenses	13,302		5,919	2,093
409A expense operating expenses			(18,362)	(20,228)
Operating income	155,717	149,093	91,348	29,252
Net income	139,997	120,301	69,574	16,797
Net income per share				
Basic	$ 1.11	$ 0.94	$ 0.55	$ 0.13
Diluted	$ 1.10	$ 0.94	$ 0.54	$ 0.13
Number of shares used in per share calculations:				
Basic	126,339	127,307	127,296	126,774
Diluted	127,786	128,587	128,829	127,890

(1) Our reporting period is a 52/53-week fiscal year. The fiscal years ended June 26, 2011 and June 27, 2010 both included 52 weeks. All quarters presented above included 13 weeks.

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

The following discussion of our financial condition and results of operations contains forward-looking statements, which are subject to risks, uncertainties and changes in condition, significance, value and effect. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including but not limited to those discussed in Risk Factors and elsewhere in this 2011 Form 10-K and other documents we file from time to time with the Securities and Exchange Commission. (See Cautionary Statement Regarding Forward-Looking Statements in Part I of this 2011 Form 10-K).

Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) provides a description of our results of operations and should be read in conjunction with our Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in this 2011 Form 10-K. MD&A consists of the following sections:

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

Results of Operations provides an analysis of operating results.

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

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

Executive Summary

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

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

We believe that, over the long term, demand for our products will increase as customers capital expenditures rise to meet growing demand for semiconductor devices. We believe that the wafer fabrication equipment market in calendar year 2011 will be similar in size to calendar year 2010 dependent on, among other things, world-wide GDP growth, consumer adoption rates for new products such as tablet devices and high-end smart phones, and our customers transition to more advanced technology nodes. However, historically, any improvement in demand for semiconductor manufacturing equipment occurs at an uneven pace. Accordingly, any forecasts about demand for wafer fabrication equipment in the near term are subject to uncertainty, and we could experience significant volatility in our quarterly results of operations over the next several quarters.

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

	Year Ended June 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except per share data and percentages)						
Revenue	$ 3,237,693	$ 2,133,776	$ 1,115,946	$ 1,103,917	51.7%	$ 1,017,830	91.2%
Gross margin	1,497,232	969,935	388,734	$ 527,297	54.4%	$ 581,201	149.5%
Gross margin as a percent of total revenue	46.2%	45.5%	34.8%	0.7%		10.7%	
Total operating expenses	692,947	544,525	669,977	$ 148,422	27.3%	$ (125,452)	-18.7%
Net income (loss)	723,748	346,669	(302,148)	$ 377,079	108.8%	$ 648,817	214.7%
Diluted net income (loss) per share	$ 5.79	$ 2.71	$ (2.41)	$ 3.08	113.7%	$ 5.12	212.4%

Fiscal year 2011 results compared with fiscal year 2010 reflect continued improvement in the global business environment and in the semiconductor industry, improved foundry fabrication utilization and an increase in the rate of next-generation DRAM and NAND technology conversions by leading memory companies.

Fiscal year 2011 revenues increased 52% compared to fiscal year 2010, primarily reflecting increased system shipments driven by growth in customer demand. The increase in gross margin as a percentage of revenue for the fiscal year 2011 compared to fiscal year 2010 was due primarily to increased revenue along with increased factory and field utilization resulting from higher overall volume.

Operating expenses in fiscal year 2011 increased as compared to fiscal year 2010. This change was primarily due to increased research and development activities and enhanced levels of sales and marketing expense associated with customer projects and a credit in fiscal year 2010 of approximately $39 million related to the reversal of accrued liabilities due to the final settlement of matters associated with our Internal Revenue Code Section 409A expenses from the 2007 voluntary independent stock option review.

Our cash and cash equivalents, short-term investments, and restricted cash and investments balances totaled approximately $2.3 billion as of June 26, 2011 compared to $992 million as of June 27, 2010. We generated approximately $881 million in net cash provided by operating activities during fiscal year 2011, compared to net cash provided by operating activities of $351 million in fiscal year 2010. The increased operating cash flows in fiscal year 2011 versus fiscal year 2010 were mainly generated from higher revenue volumes during the fiscal year. Additionally, during fiscal year 2011, the Company completed a convertible note financing and generated $836 million in net cash, which includes proceeds from warrant sales, offset by issuance fees and purchase of convertible note hedges.

Results of Operations

Shipments and Backlog

	Year Ended June 26, 2011	June 27, 2010	June 28, 2009
Shipments (in millions)	$ 3,306	$ 2,304	$ 976
North America	13%	8%	16%
Europe	13%	7%	11%
Japan	13%	15%	20%
Korea	21%	27%	21%
Taiwan	23%	32%	20%
Asia Pacific	17%	11%	12%

Shipments for fiscal year 2011 were approximately $3.3 billion and increased by 43% compared to fiscal year 2010. Shipments for fiscal year 2010 increased sequentially from fiscal year 2009 by 136%. The sequential growth for both fiscal years reflects improvements in the industry and economic environments as noted above.

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During fiscal year 2011, applications at or below the 65 nanometer technology node were 90% of total systems shipments. During fiscal year 2010, applications at or below the 65 nanometer technology node were 96% of total systems shipments. During fiscal year 2011 the memory market segment, foundry segment, and logic/integrated device manufacturing segment were approximately 49%, 32% and 19% of system shipments, respectively. During fiscal year 2010, the memory market segment, foundry segment, and logic/integrated device manufacturing segment were approximately 61%, 29% and 10% of system shipments, respectively. In fiscal year 2011, we saw a broadening of customers, some of which added capacity above the 65 nanometer node.

Unshipped orders in backlog as of June 26, 2011 were approximately $641 million and decreased from approximately $667 million as of June 27, 2010. Our unshipped orders backlog includes orders for systems, spares, and services. Please refer to Backlog in Part I Item 1, Business of this report for a description of our policies for adding to and adjusting backlog.

Revenue

	Year Ended		
	June 26, 2011	**June 27, 2010**	**June 28, 2009**
Revenue (in millions)	$ 3,238	$ 2,134	$ 1,116
North America	12%	9%	15%
Europe	13%	6%	11%
Japan	13%	15%	21%
Korea	23%	25%	21%
Taiwan	24%	33%	19%
Asia Pacific	15%	12%	13%

The revenue increase during fiscal year 2011 compared to 2010 and fiscal year 2010 compared to 2009 reflected improvements in the industry and economic environments as noted above. Our revenue levels are generally correlated to the amount of shipments and our installation and acceptance timelines. The overall Asia region continues to account for a majority of our revenues as a substantial amount of the worldwide capacity additions for semiconductor manufacturing continues to occur in this region. Our deferred revenue balance increased to $257.6 million as of June 26, 2011 compared to $207.4 million as of June 27, 2010, consistent with increased customer spending levels during fiscal year 2011. Our deferred revenue balance does not include shipments to Japanese customers, to whom title does not transfer until customer acceptance. Shipments to Japanese customers are classified as inventory at cost until the time of acceptance. The anticipated future revenue value from shipments to Japanese customers was approximately $70 million as of June 26, 2011 compared to $52 million as of June 27, 2010.

Gross Margin

	Year Ended						
	June 26, 2011	**June 27, 2010**	**June 28, 2009**	**FY11 vs. FY10**		**FY10 vs. FY09**	
	(in thousands, except percentages)						
Gross margin	$ 1,497,232	$ 969,935	$ 388,734	$ 527,297	54.4%	$ 581,201	149.5%
Percent of total revenue	46.2%	45.5%	34.8%	0.7%		10.7%	

The increase in gross margin as a percentage of revenue for fiscal year 2011 compared to fiscal year 2010 was due primarily to increased factory and field utilization as a result of higher volume.

The increase in gross margin as a percentage of revenue for fiscal year 2010 compared to fiscal year 2009 was due primarily to improved product mix and more favorable absorption from the factories. Additionally, there was a decrease in restructuring and asset impairments included in gross margin from approximately $21 million in fiscal year 2009 to $3 million in fiscal year 2010 and a credit in fiscal year 2010 of approximately $6 million related to a reversal of accrued liabilities due to final settlement of matters associated with our Internal Revenue Code Section 409A expenses from the 2007 voluntary independent stock option review.

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Research and Development

	Year Ended						
	June 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except percentages)						
Research & development (R&D)	$ 373,293	$ 320,859	$ 288,269	$ 52,434	16.3%	$ 32,590	11.3%
Percent of total revenue	11.5%	15.0%	25.8%	-3.5%		-10.8%	

We continue to make significant R&D investments focused on leading-edge plasma etch, single-wafer clean and other semiconductor manufacturing requirements. The increase in R&D spending during fiscal year 2011 compared to fiscal year 2010 was due primarily to higher employee compensation and benefits of $27 million, mainly as a result of increased headcount and stronger company profitability, and higher outside services and supplies of $19 million related to new product development.

The increase in R&D spending during fiscal year 2010 compared to fiscal year 2009 was due primarily to higher employee compensation and benefits of $25 million, mainly as a result of stronger company profitability, and higher outside services and supplies of $5 million.

Approximately 30% and 24% of fiscal years 2011 and 2010 systems revenues, respectively, were derived from products introduced over the previous two years, which is reflective of our continued investment in new products and technologies.

Selling, General and Administrative

	Year Ended						
	June 26, 2011	June 27, 2010	June 28, 2009	FY11 vs. FY10		FY10 vs. FY09	
	(in thousands, except percentages)						
Selling, general & administrative (SG&A)	$ 308,075	$ 240,942	$ 233,061	$ 67,133	27.9%	$ 7,881	3.4%
Percent of total revenue	9.5%	11.3%	20.9%	-1.8%		-9.6%	

The growth in SG&A expense during fiscal year 2011 compared to fiscal year 2010 was due primarily to higher employee compensation and benefits of $44 million, mainly as a result of increased headcount and stronger company profitability, and higher outside services and supplies of $18 million for customer penetration activities. Rent and depreciation-related expenses increased in fiscal year 2011 from fiscal year 2010 by approximately $13 million. The increases in SG&A expenses during fiscal year 2011 were offset by the release of approximately $4 million of previously reserved allowance for doubtful accounts as the result of cash collections from customers.

The growth in SG&A expense during fiscal year 2010 compared to fiscal year 2009 was driven by increases of approximately $26 million in employee compensation as a result of increased company profitability offset by a $9 million decline in depreciation, rent and utilities expenses primarily as a result of restructuring activities, and $7 million due to a non-recurring accounts receivable reserve recorded for specific distressed customers in fiscal year 2009.

Goodwill Impairment

During fiscal year 2009, a combination of factors, including the economic environment, a sustained decline in our market valuation, and a decline in our operating results indicated possible impairment of our goodwill. We performed an impairment analysis and concluded that the fair value of our Clean Product Group had been reduced below its carrying value. As a result, we recorded a non-cash goodwill impairment charge of approximately $96.3 million during fiscal year 2009. We concluded that there were no indicators of impairment as a result of our fiscal 2010 and 2011 assessments.

The calculation of the goodwill impairment charge is based on estimates of future operating results. If our future operating results do not meet current forecasts or if we experience a sustained decline in our market capitalization that is determined to be indicative of a reduction in fair value of our businesses, an additional impairment analysis may be required which may result in further impairment charges.

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Restructuring and Asset Impairments

During fiscal year 2008, we incurred expenses for restructuring and asset impairment charges of $19.0 million related to the integration of SEZ and overall streamlining of our combined Clean Product Group (June 2008 Plan). We incurred additional expenses of $19.0 million under the June 2008 Plan during fiscal year 2009. The charges during fiscal year 2008 and 2009 primarily included severance and related benefits costs and certain asset impairments associated with our product line integration road maps. During fiscal year 2010, we recorded a recovery of $2.2 million related primarily to inventory previously restructured in connection with our initial product line integration road maps.

During fiscal year 2009, we incurred expenses of $17.8 million for restructuring and asset impairment charges designed to better align our cost structure with our business opportunities in consideration of market and economic uncertainties (December 2008 Plan). The charges consisted of severance and related benefits costs as well as certain facilities related costs and asset impairments.

During fiscal year 2009, we also incurred expenses of $28.6 million for restructuring and asset impairment charges designed to align our cost structure with our outlook for the current economic environment and future business opportunities (March 2009 Plan). The charges during fiscal year 2009 consisted primarily of severance and related benefits costs as well as certain facilities related costs and asset impairments. The Company incurred additional expenses of $20.9 million during fiscal 2010 under the March 2009 Plan consisting primarily of certain facilities charges related to the reassessment of future obligations for previously restructured leases, severance and related benefits costs, and asset impairments. During fiscal year 2011 the Company incurred additional expenses of $11.8 million under the March 2009 Plan consisting primarily of certain facilities charges related to the reassessment of future obligations for previously restructured leases.

In addition to charges incurred under specific restructuring plans, during fiscal year 2010 we incurred $6.0 million of asset impairment charges related to production efficiencies and shifts in product demands.

For further details related to restructuring and asset impairment, see Note 18 of the Notes to Consolidated Financial Statements.

409A Expense

Following the voluntary independent review of our historical option grant process, we considered whether Section 409A of the Internal Revenue Code and similar provisions of state law would apply to stock options that were found, under applicable accounting guidance, to have intrinsic value at the time of their respective measurement dates. If a stock option is not considered as issued with an exercise price of at least the fair market value of the underlying stock, it may be subject to penalty taxes under Section 409A and similar provisions of state law. In such a case, taxes may be assessed not only on the intrinsic value increase, but on the entire stock option gain as measured at various times. On March 30, 2008, our Board of Directors authorized us to assume potential tax liabilities of certain employees, including our Chief Executive Officer and certain executive officers, relating to options that might be subject to Section 409A and similar provisions of state law. Those liabilities totaled $50.9 million; $44.5 million was recorded in operating expenses and $6.4 million in cost of goods sold in our consolidated statements of operations for fiscal year 2008. We incurred $3.2 million of expense during fiscal year 2009 consisting of interest and legal fees. During fiscal year 2010, we reached final settlement of matters associated with our 409A expenses with the Internal Revenue Service (IRS) and California Franchise Tax Board (FTB) resulting in a credit of $44.4 million due to the reversal of 409A liabilities. There were no expenses or reversals related to Section 409A during fiscal year 2011.

Legal Judgment

Aspect Systems, Inc. (Aspect) sued us for breach of contract and various business torts arising out of a transaction in which we licensed Aspect to sell certain of our legacy Autoetch and Drytek products. The case went to trial in the United States District Court for the District of Arizona in December of 2008, resulting in a jury verdict in favor of Aspect. We recorded the amount of the legal judgment of $4.6 million in our consolidated statement of operations for the year ended June 28, 2009 and final judgment was reached in fiscal year 2011.

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Other Income (Expense), Net

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

	Year Ended June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Interest income	$ 15,572	$ 8,598	$ 24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gain (loss)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
	$ (3,409)	$ 4,731	$ 18,150

The increase in interest income during fiscal year 2011 compared with fiscal year 2010 was primarily due to increases in our average cash and investment balances from cash provided by operations and proceeds from convertible note financing, which was partially offset by treasury stock transactions and the decrease in interest rate yields. The decrease in interest income during fiscal year 2010 compared with fiscal year 2009 was primarily due to decreases in our average cash and investment balances and decreases in interest rate yields.

The increase in interest expense during fiscal year 2011 as compared with fiscal year 2010 was due to the issuance of the $900 million convertible notes during fiscal year 2011. The decrease in interest expense during fiscal year 2010 as compared with the prior year was due to our $250.0 million loan payment to ABN AMRO during fiscal year 2009, principal payments on long-term debt and capital leases, and to a lesser extent, decreases in interest rate yields.

Foreign exchange losses in fiscal year 2011 were related to un-hedged portions of the balance sheet exposures, primarily in the Euro, Korean Won, and Singapore dollar. Foreign exchange gains in fiscal year 2009 were related to un-hedged portions of the balance sheet exposures, primarily in the Japanese yen, Taiwanese dollar and Euro and were partially offset by $4.0 million of deferred net losses associated with ineffectiveness related to forecasted transactions that were no longer considered probable of occurring.

Other expenses during fiscal year 2011 included increases in charitable contributions and banking fees primarily related to increased business transactions. Other expenses increased during fiscal year 2010 as compared with 2009 due to increased charitable contributions and the recognition of a $0.9 million realized loss on investments due to an other-than-temporary impairment charge.

Income Tax Expense

Our annual income tax expense was $77.1 million, $83.5 million, and $39.1 million in fiscal years 2011, 2010, and 2009, respectively. Our effective tax rate for fiscal years 2011, 2010, and 2009 was 9.6%, 19.4%, and (14.8) %, respectively. The decrease in the effective tax rate in fiscal year 2011 was primarily due to the change in geographical mix of income between higher and lower tax jurisdictions, tax benefits related to the recognition of previously unrecognized tax benefits due to the settlement of audits, and tax benefit due to the extension of the second half of fiscal year 2010 federal R&D credit.

The fiscal year 2010 effective tax rate was 19.4%, compared to the fiscal year 2009 effective tax rate of (14.8)%. The increase in the effective tax rate in fiscal year 2010 was primarily due to the increase in the Company s income, the change in geographical mix of income between higher and lower tax jurisdictions, adjustments for previously estimated tax liabilities upon the filing of our U.S. tax return and decrease in Federal R&D credit due to the expiration of the credit on December 31, 2009.

Deferred Income Taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, as well as the tax effect of carryforwards. Our gross deferred tax assets, composed primarily of reserves and accruals that are not currently deductible and tax credit carryforwards, were $147.2 million and $137.4 million at the end of fiscal years 2011 and 2010, respectively. These gross deferred tax assets were offset by deferred tax liabilities of

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$31.7 million and $36.3 million at the end of fiscal years 2011 and 2010, respectively, and a valuation allowance of $46.2 million and $37.0 million at the end of fiscal years 2011 and 2010, respectively.

We record a valuation allowance to reduce our deferred tax assets to the amount that is more-likely-than-not to be realized. Realization of our net deferred tax assets is dependent on future taxable income. We believe it is more likely than not that such assets will be realized; however, ultimate realization could be negatively impacted by market conditions and other variables not known or anticipated at this time. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment would be charged to earnings in the period such determination is made. Likewise, if we later determine that it is more-likely-than-not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed. Our fiscal years 2011 and 2010 valuation allowance of $46.2 million and $37.0 million relate to California and certain foreign deferred tax assets.

At our fiscal year end of June 26, 2011 we recorded a valuation allowance to offset the entire California deferred tax asset balance reflecting the impact of a California law repealing the cost of performance sales factor sourcing rule and the single sales factor apportionment election, effective for subsequent fiscal years. We also recorded a reduction of valuation allowance against certain foreign deferred tax assets due to an increase in the forecasted income for certain foreign entities and an increase in the current year deferred tax liabilities.

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

Uncertain Tax Positions

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

Critical Accounting Policies and Estimates

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

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

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

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

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

We reassess standard costs as needed but annually at a minimum, and reflect achievable acquisition costs. Acquisition costs are generally based on the most recent vendor contract prices for purchased parts, normalized assembly and test labor utilization levels, methods of manufacturing, and normalized overhead. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to absorb spending at average utilization volumes. We eliminate all intercompany profits related to the sales and purchases of inventory between our legal entities from our Consolidated Financial Statements.

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

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

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

Equity-based Compensation Employee Stock Purchase Plan (ESPP) and Employee Stock Plans: GAAP requires us to recognize the fair value of equity-based compensation in net income. We determine the fair value of our restricted stock units (RSUs) based upon the fair market value of Company stock at the date of

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grant. We estimate the fair value of our stock options and ESPP awards using the Black-Scholes option valuation model. This model requires us to input highly subjective assumptions, including expected stock price volatility and the estimated life of each award. We amortize the fair value of equity-based awards over the vesting periods of the awards, and we have elected to use the straight-line method of amortization.

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

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

We calculate our current and deferred tax provision based on estimates and assumptions that can differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified.

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

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

Goodwill and Intangible Assets: Goodwill represents the amount by which the purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. We allocate the carrying value of goodwill to our reporting units. We test goodwill and identifiable intangible assets with indefinite useful lives for impairment at least annually. We amortize intangible assets with estimable useful lives over their respective estimated useful lives, and we review for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

We review goodwill at least annually for impairment. If certain events or indicators of impairment occur between annual impairment tests, we would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, we: (1) allocate goodwill to our reporting units to which the acquired goodwill relates; (2) estimate the fair value of our reporting units; and (3) determine the carrying value (book value) of those reporting units, as some of the assets and liabilities related to those reporting units are not held by those reporting units but by a corporate function. Prior to this allocation of the assets to the reporting units, we are required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, we must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process R&D and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined.

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

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

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

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

Recent Accounting Pronouncements

In September 2009, the FASB ratified guidance from the Emerging Issues Task Force (EITF) regarding revenue arrangements with multiple deliverables. This guidance addresses criteria for separating the consideration in multiple-element arrangements and requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. We adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on our results of operations or financial condition.

In September 2009, the FASB also ratified guidance from the EITF regarding certain revenue arrangements that include software elements. This guidance modifies the scope of the software revenue recognition rules to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product s essential functionality. We adopted this

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guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on our results of operations or financial condition.

In June 2011, the FASB issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders equity. The amendments in this standard require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income in the financial statements where the components of net income and the components of OCI are presented. This guidance does not affect the underlying accounting for components of OCI, but will change the presentation of our financial statements. We will adopt this authoritative guidance retrospectively in the first quarter of our fiscal year 2013.

Liquidity and Capital Resources

Total gross cash, cash equivalents, short-term investments, and restricted cash and investments balances were $2.3 billion at the end of fiscal year 2011 compared to $991.7 million at the end of fiscal year 2010. This increase was primarily due to cash provided by operations and net proceeds from our convertible note financing, which was partially offset by treasury stock transactions.

Cash Flows from Operating Activities

Net cash provided by operating activities of $881 million during fiscal year 2011 consisted of (in millions):

Net income	$ 723.7
Non-cash charges:	
Depreciation and amortization	74.8
Equity-based compensation	53.0
Restructuring charges, net	11.6
Amortization of convertible note discount	3.6
Net tax benefit on equity-based compensation plans	5.5
Deferred income taxes	(10.7)
Changes in operating asset and liability accounts	21.8
Other	(2.3)
	$ 881.0

Significant changes in operating asset and liability accounts included the following sources of cash: increases in accrued expenses and other liabilities of $138.1 million, accounts payable of $42.3 million, and deferred profit of $34.0 million, partially offset by the following uses of cash: increases in accounts receivable of $89.7 million, inventories of $77.5 million, and prepaid and other assets of $25.3 million. These changes in overall cash were all consistent with increased business volumes.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal year 2011 was $479.9 million which was primarily due to net purchases of available-for-sale securities of $353.5 million and capital expenditures of $127.5 million.

Cash Flows from Financing Activities

Net cash provided by financing activities during fiscal year 2011 was $527.0 million which was primarily due to net proceeds from our convertible note financing of $835.5, which includes proceeds from convertible notes and warrant sales, offset by issuance fees and purchase of convertible note hedges. Additional sources of cash provided by financing activities include net proceeds related to issuance of common stock and reissuance of treasury stock under employee equity-based plans of $33.6 million and the effect of excess tax benefits on equity based compensation of $23.3 million. This was partially offset by $211.3 million in treasury stock repurchases, $149.6 million of net prepayments for the potential purchase of treasury stock under the structured stock repurchase arrangement (see Note 19 of Notes to Consolidated Financial Statements), and $4.5 million in principal payments on long-term debt and capital leases.

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Liquidity

Given the cyclical nature of the semiconductor equipment industry, we believe that maintaining sufficient liquidity reserves is important to support sustaining levels of investment in R&D and capital infrastructure. Based upon our current business outlook, we expect that our levels of cash, cash equivalents, and short-term investments at June 26, 2011 will be sufficient to support our presently anticipated levels of operations, investments, debt service requirements, and capital expenditures, through at least the next 12 months.

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

Off-Balance Sheet Arrangements and Contractual Obligations

We have certain obligations to make future payments under various contracts, some of which are recorded on our balance sheet and some of which are not. Obligations are recorded on our balance sheet in accordance with GAAP and include our long-term debt which is outlined in the following table and noted below. Our off-balance sheet arrangements include contractual relationships and are presented as operating leases and purchase obligations in the table below. Our contractual cash obligations and commitments as of June 26, 2011, relating to these agreements and our guarantees are included in the following table. The amounts in the table below exclude $113.6 million of liabilities related to uncertain tax benefits as we are unable to reasonably estimate the ultimate amount or time of settlement. See Note 15 of Notes to the Consolidated Financial Statements for further discussion.

	Operating Leases	Capital Leases	Purchase Obligations	Long-term Debt and Interest Expense	Total
			(in thousands)		
Payments due by period:					
Less than 1 year	$ 11,081	$ 1,900	$ 192,766	$ 10,219	$ 215,966
1-3 years	16,238	3,466	66,724	16,415	102,843
3-5 years	5,852	3,944	29,755	465,750	505,301
Over 5 years	830	8,931	1,040	462,234	473,035
Total	$ 34,001	$ 18,241	$ 290,285	$ 954,618	$ 1,297,145

Operating Leases

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

Capital Leases

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

Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to our outsourcing activities or other material commitments, including vendor-consigned

inventories. We continue to enter into new agreements and maintain existing agreements to outsource certain activities, including elements of our manufacturing, warehousing, logistics, facilities maintenance, certain information technology functions, and certain transactional general and administrative functions. The contractual cash obligations and commitments table presented above contains our obligations at June 26, 2011 under these arrangements and others. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. In addition to these obligations, certain of these agreements include early termination provisions and/or cancellation penalties which could increase or decrease amounts actually paid.

Long-Term Debt

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

The net proceeds from the offering of the Notes were approximately $835.5 million, which includes proceeds from convertible notes and warrant sales, offset by issuance fees and purchase of convertible note hedges. We used a portion of the net proceeds from the offering of the Notes to repurchase 1,000,000 shares of our common stock at a purchase price of $47.56 per share. The balance of the net proceeds of the offering is intended to be used for general corporate purposes, including working capital and capital expenditures. We may also use a portion of the net proceeds to acquire other businesses, products or technologies, or to repurchase shares of our common stock under our share repurchase program.

During fiscal year 2011 and fiscal year 2010 we made $4.5 million and $21.0 million in principal payments on long-term debt and capital leases, respectively. During fiscal year 2009, we paid the outstanding principal balance of $250.0 million of our existing long-term debt with ABN AMRO using existing cash balances. There were no penalties associated with the payment. In connection with the payment, the parties agreed to terminate the ABN AMRO Credit Agreement and related Collateral Documents.

In addition to the convertible notes, our remaining total long-term debt, excluding interest, of $3.9 million as of June 26, 2011 consists of various bank loans and government subsidized technology loans supporting operating needs.

Other Guarantees

We have issued certain indemnifications to our lessors for taxes and general liability under some of our agreements. We have entered into certain insurance contracts that may limit our exposure to such indemnifications. As of June 26, 2011, we had not recorded any liability on our Consolidated Financial Statements in connection with these indemnifications, as we do not believe, based on information available, that it is probable that we will pay any amounts under these guarantees.

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

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Warranties

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

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

Investments

We maintain an investment portfolio of various holdings, types, and maturities. As of June 26, 2011, our mutual funds are classified as trading securities. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Any material differences between the cost and fair value of trading securities is recognized as Other income (expense) in our Consolidated Statement of Operations. All of our other short-term investments are classified as available-for-sale and consequently are recorded in the Consolidated Balance Sheets at fair value with unrealized gains or losses reported as a separate component of accumulated other comprehensive income, net of tax.

Interest Rate Risk

Fixed Income Securities

Our investments in various interest earning securities carry a degree of market risk for changes in interest rates. At any time, a sharp rise in interest rates could have a material adverse impact on the fair value of our fixed income investment portfolio. Conversely, declines in interest rates could have a material adverse impact on interest income for our investment portfolio. We target to maintain a conservative investment policy, which focuses on the safety and preservation of our invested funds by limiting default risk, market risk, reinvestment risk, and the amount of credit exposure to any one issuer. The following table presents the hypothetical fair values of fixed income securities that would result from selected potential decreases and increases in interest rates. Market changes reflect immediate hypothetical parallel shifts in the yield curve of plus or minus 50 basis points (BPS), 100 BPS, and 150 BPS. The hypothetical fair values as of June 26, 2011 were as follows:

	Valuation of Securities Given an Interest Rate Decrease of X Basis Points			Fair Value as of June 26, 2011	Valuation of Securities Given an Interest Rate Increase of X Basis Points		
	(150 BPS)	(100 BPS)	(50 BPS)	0.00%	50 BPS	100 BPS	150 BPS
				(in thousands)			
Municipal Notes and Bonds	$ 328,288	$ 325,971	$ 323,655	$ 321,339	$ 319,022	$ 316,706	$ 314,390
US Treasury & Agencies	8,726	8,650	8,573	8,496	8,419	8,342	8,265
Government-Sponsored Enterprises	20,058	19,994	19,931	19,868	19,805	19,742	19,679
Foreign Government Bond	1,007	1,006	1,005	1,005	1,004	1,003	1,002
Corporate Notes and Bonds	386,126	384,894	383,663	382,432	381,200	379,969	378,737
Mortgage Backed Securities Residential	2,676	2,661	2,647	2,633	2,619	2,605	2,591
Mortgage Backed Securities Commercial	61,924	61,526	61,127	60,729	60,330	59,931	59,533
Total	$ 808,805	$ 804,702	$ 800,601	$ 796,502	$ 792,399	$ 788,298	$ 784,197

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

Long-Term Debt

As of June 26, 2011, we had $900 million in principal amount of fixed-rate long-term debt outstanding, with a carrying amount of $722 million. The fair value of our Notes is subject to interest rate risk, market risk and other factors due to the convertible feature. Generally, the fair value of Notes will increase as interest rates fall

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and/or our common stock price increases, and decrease as interest rates rise and/or our common stock price decreases. The interest and market value changes affect the fair value of our Notes but do not impact our financial position, cash flows, or results of operations due to the fixed nature of the debt obligations. We do not carry the Notes at fair value, but present the fair value of the principal amount of our Notes for disclosure purposes. As of June 26, 2011 the carrying value of the Notes approximates fair value as interest rates on comparable debt have not changed significantly since issuance of the Notes.

Our long-term debt includes $1.2 million of variable rate debt based on LIBOR plus a spread of 0.875% and is subject to adverse as well as beneficial changes in interest expense due to fluctuation in interest rates.

Equity Price Risk

Publicly Traded Securities

The values of our investments in publicly traded securities, including mutual funds related to our obligations under our deferred compensation plans, are subject to market price risk. The following table presents the hypothetical fair values of our publicly traded securities that would result from selected potential decreases and increases in the price of each security in the portfolio. Potential fluctuations in the price of each security in the portfolio of plus or minus 10%, 15%, or 25% were selected based on potential near-term changes in those security prices. The hypothetical fair values as of June 26, 2011 were as follows:

	Valuation of Securities Given an X% Decrease in Stock Price			Fair Value as of June 26, 2011	Valuation of Securities Given an X% Increase in Stock Price		
	(25%)	(15%)	(10%)	0.00%	10%	15%	25%
				(in thousands)			
Mutual Funds	$ 14,601	$ 16,547	$ 17,521	$ 19,467	$ 21,414	$ 22,388	$ 24,334
Publicly traded equity securities	$ 5,582	$ 6,327	$ 6,699	$ 7,443	$ 8,188	$ 8,560	$ 9,304
Total	$ 20,183	$ 22,874	$ 24,220	$ 26,910	$ 29,602	$ 30,948	$ 33,638

Foreign Currency Exchange (FX) Risk

We conduct business on a global basis in several major international currencies. As such, we are potentially exposed to adverse as well as beneficial movements in foreign currency exchange rates. The majority of our revenues and expenses are denominated in U.S. dollars except for certain revenues denominated in Japanese yen, certain revenues and expenses denominated in the Euro, certain spares and service contracts denominated in various currencies, and expenses related to our non-U.S. sales and support offices denominated in the related countries local currency. We currently enter into foreign exchange forward contracts to minimize the short-term impact of foreign currency exchange rate fluctuations on Japanese yen-denominated revenue and monetary asset and liability exposure, Euro-denominated expenses and monetary assets and liabilities, as well as monetary assets and liabilities denominated in Swiss francs and Taiwanese dollars. We currently believe these are our primary exposures to currency rate fluctuation.

To protect against the reduction in value of forecasted Japanese yen-denominated revenue and Euro-denominated expenses, we enter into foreign currency forward exchange rate contracts that generally expire within 12 months, and no later than 24 months. These foreign currency forward exchange rate contracts are designated as cash flow hedges and are carried on our balance sheet at fair value, with the effective portion of the contracts gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue and/or expense is recognized. We also enter into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of Japanese yen, Euros, Swiss franc and Taiwanese dollar-denominated monetary assets and liabilities against the U.S. dollar. The change in fair value of these balance sheet hedge contracts is recorded into earnings as a component of other income (expense), net and offsets the change in fair value of the foreign currency denominated monetary assets and liabilities also recorded in other income (expense), net, assuming the hedge contract fully covers the intercompany and trade receivable balances.

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The notional amount and unrealized gain of our outstanding forward contracts that are designated as cash flow hedges, as of June 26, 2011 are shown in the table below. This table also shows the change in fair value of these cash flow hedges assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent.

		Notional Amount	Unrealized FX Gain/(Loss) June 26, 2011	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate + /-(10%)	+ /-(15%)
		(in $ Millions)			
Cash Flow Hedge					
Sell	JPY	$ 109.0	($ 1.2)	$ 10.9	$ 16.3
Buy	EUR	$ 105.9	$ 1.7	$ 10.6	$ 15.9
		$ 214.9	$ 0.5	$ 21.5	$ 32.2

The notional amount and unrealized loss of our outstanding foreign currency forward contracts that are designated as balance sheet hedges, as of June 26, 2011 are shown in the table below. This table also shows the change in fair value of these balance sheet hedges, assuming a hypothetical foreign currency exchange rate movement of plus-or-minus 10 percent and plus-or-minus 15 percent. These changes in fair values would be offset in other income (expense), net, by corresponding change in fair values of the foreign currency denominated monetary assets and liabilities, assuming the hedge contract fully covers the intercompany and trade receivable balances.

		Notional Amount	Unrealized FX Gain/(Loss) June 26, 2011	Valuation of Fx Contracts Given an X% Increase (+)/ Decrease(-) in Each Fx Rate + /-(10%)	+ /-(15%)
		(in $ Millions)			
Balance Sheet Hedge					
Sell	JPY	$ 61.9	$ 0.1	$ 6.2	$ 9.3
Buy	CHF	$ 257.5	$ 0.0	$ 25.8	$ 38.6
Buy	TWD	$ 82.6	($ 0.7)	$ 8.3	$ 12.4
Buy	EUR	$ 41.8	$ 0.1	$ 4.2	$ 6.3
		$ 443.8	($ 0.5)	$ 44.5	$ 66.6

Item 8. ***Financial Statements and Supplementary Data***

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

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

None.

Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of June 26, 2011, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer each concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

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

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Changes in Internal Control Over Financial Reporting

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

Management s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting , as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has used the framework set forth in the report entitled Internal Control Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Company s internal control over financial reporting. Based on that evaluation, management has concluded that the Company s internal control over financial reporting was effective as of June 26, 2011 at providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Ernst & Young LLP, an independent registered public accounting firm, has audited the Company s internal control over financial reporting, as stated in their report, which is included in Part IV, Item 15 of this 2011 Form 10-K.

Effectiveness of Controls

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

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

None.

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PART III

We have omitted from this 2011 Form 10-K certain information required by Part III because we, as the Registrant, will file a definitive proxy statement with the Securities and Exchange Commission (SEC) within 120 days after the end of our fiscal year, pursuant to Regulation 14A, as promulgated by the SEC, for our Annual Meeting of Stockholders expected to be held on or about November 3, 2011 (the Proxy Statement), and certain information included in the Proxy Statement is incorporated into this report by reference. (However, the Reports of the Audit Committee and Compensation Committee in the Proxy Statement are expressly not incorporated by reference into this report.)

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

For information regarding our executive officers, see Part I, Item 1 of this 2011 Form 10-K under the caption Executive Officers of the Company, which information is incorporated into Part III by reference.

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

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

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

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

Item 11. ***Executive Compensation***

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

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

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

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

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

Item 14. ***Principal Accounting Fees and Services***

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

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PART IV

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

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

1. Index to Financial Statements

2. Index to Financial Statement Schedules

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

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

(c) The list of Exhibits follows page 92 of this 2011 Form 10-K and is incorporated herein by this reference.

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LAM RESEARCH CORPORATION

CONSOLIDATED BALANCE SHEETS

(in thousands, except per share data)

	June 26, 2011	June 27, 2010
ASSETS		
Cash and cash equivalents	$ 1,492,132	$ 545,767
Short-term investments	630,115	280,690
Accounts receivable, less allowance for doubtful accounts of $4,720 as of June 26, 2011 and $10,609 as of June 27, 2010	590,568	499,890
Inventories	396,607	318,479
Deferred income taxes	78,435	46,158
Prepaid expenses and other current assets	88,935	65,677
Total current assets	3,276,792	1,756,661
Property and equipment, net	270,458	200,336
Restricted cash and investments	165,256	165,234
Deferred income taxes	3,892	26,218
Goodwill	169,182	169,182
Intangible assets, net	47,434	67,724
Other assets	124,380	102,037
Total assets	$ 4,057,394	$ 2,487,392
LIABILITIES AND STOCKHOLDERS EQUITY		
Trade accounts payable	$ 163,541	$ 121,099
Accrued expenses and other current liabilities	358,756	309,397
Deferred profit	157,207	123,194
Current portion of long-term debt, convertible notes, and capital leases	4,782	4,967
Total current liabilities	684,286	558,657
Long-term debt, convertible notes, and capital leases	738,488	17,645
Income taxes payable	113,582	110,462
Other long-term liabilities	51,193	32,493
Total liabilities	1,587,549	719,257
Commitments and contingencies		
Stockholders equity:		
Preferred stock, at par value of $0.001 per share; authorized 5,000 shares, none outstanding		
Common stock, at par value of $0.001 per share; authorized 400,000 shares; issued and outstanding 123,579 shares at June 26, 2011 and 125,946 shares at June 27, 2010	124	126
Additional paid-in capital	1,531,465	1,452,939
Treasury stock, at cost, 40,995 shares at June 26, 2011 and 36,884 shares at June 27, 2010	(1,761,591)	(1,581,417)
Accumulated other comprehensive income (loss)	9,761	(69,849)
Retained earnings	2,690,086	1,966,336
Total stockholders equity	2,469,845	1,768,135

Total liabilities and stockholders equity	$ 4,057,394	$ 2,487,392

See Notes to Consolidated Financial Statements

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LAM RESEARCH CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

	Year Ended June 26, 2011	June 27, 2010	June 28, 2009
Revenue	$ 3,237,693	$ 2,133,776	$ 1,115,946
Cost of goods sold	1,740,461	1,166,219	706,219
Cost of goods sold restructuring and impairments		3,438	20,993
Cost of goods sold 409A expense		(5,816)	
Total costs of goods sold	1,740,461	1,163,841	727,212
Gross margin	1,497,232	969,935	388,734
Research and development	373,293	320,859	288,269
Selling, general and administrative	308,075	240,942	233,061
Goodwill impairment			96,255
Restructuring and impairments	11,579	21,314	44,513
409A expense		(38,590)	3,232
Legal judgment			4,647
Total operating expenses	692,947	544,525	669,977
Operating income (loss)	804,285	425,410	(281,243)
Other income (expense), net:			
Interest income	15,572	8,598	24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gains (losses)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
Income (loss) before income taxes	800,876	430,141	(263,093)
Income tax expense	77,128	83,472	39,055
Net income (loss)	$ 723,748	$ 346,669	$ (302,148)
Net income (loss) per share:			
Basic net income (loss) per share	$ 5.86	$ 2.73	$ (2.41)
Diluted net income (loss) per share	$ 5.79	$ 2.71	$ (2.41)
Number of shares used in per share calculations:			
Basic	123,529	126,933	125,595
Diluted	125,019	128,126	125,595

See Notes to Consolidated Financial Statements

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LAM RESEARCH CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 723,748	$ 346,669	$ (302,148)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			
Depreciation and amortization	74,759	71,401	72,417
Deferred income taxes	(10,721)	13,718	30,545
Restructuring charges, net	11,579	24,752	65,506
Equity-based compensation expense	53,012	50,463	53,042
Income tax benefit on equity-based compensation plans	28,775	10,635	(14,294)
Excess tax benefit on equity-based compensation plans	(23,290)	(10,234)	6,273
Amortization of convertible note discount	3,554		
Goodwill impairment			96,255
Other, net	(2,341)	3,190	9,353
Changes in operating asset and liability accounts:			
Accounts receivable, net of allowance	(89,716)	(246,653)	152,086
Inventories	(77,461)	(79,701)	46,052
Prepaid expenses and other assets	(25,282)	(23,647)	5,888
Trade accounts payable	42,320	71,600	(39,381)
Deferred profit	34,012	77,407	(82,464)
Accrued expenses and other liabilities	138,080	41,113	(177,259)
Net cash provided by (used for) operating activities	881,028	350,713	(78,129)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures and intangible assets	(127,495)	(35,590)	(44,282)
Acquisitions of business, net of cash acquired			(19,457)
Purchases of available-for-sale securities	(564,485)	(192,755)	(209,298)
Sales and maturities of available-for-sale securities	210,962	114,768	383,062
Purchase of other investments	(417)	(2,184)	(3,439)
Loans made		(800)	(8,375)
Proceeds from sale of assets	1,544		
Transfer of restricted cash and investments	(22)	13,205	(92,206)
Net cash provided by (used for) investing activities	(479,913)	(103,356)	6,005
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on long-term debt and capital lease obligations	(4,530)	(21,040)	(256,047)
Net proceeds from issuance of long-term debt & convertible notes	882,831	336	625
Proceeds from sale of warrants	133,830		
Purchase of convertible note hedge	(181,125)		
Excess tax benefit on equity-based compensation plans	23,290	10,234	(6,273)
Treasury stock purchases	(211,316)	(93,032)	(30,946)
Net cash received in settlement of (paid in advance for) stock repurchase contracts	(149,589)		
Reissuances of treasury stock	21,194	17,452	19,797
Proceeds from issuance of common stock	12,401	13,386	12,014
Net cash provided by (used for) financing activities	526,986	(72,664)	(260,830)
Effect of exchange rate changes on cash	18,264	(3,093)	(25,416)
Net increase (decrease) in cash and cash equivalents	946,365	171,600	(358,370)
Cash and cash equivalents at beginning of year	545,767	374,167	732,537

Cash and cash equivalents at end of year	$ 1,492,132	$ 545,767	$ 374,167
Schedule of noncash transactions			
Acquisition of leased equipment	$	$	$ 454
Accrued payables for stock repurchases	$	$ 13,500	$
Supplemental disclosures:			
Cash payments for interest	$ 232	$ 878	$ 7,808
Cash payments for income taxes	$ 70,774	$ 16,261	$ 33,583

See Notes to Consolidated Financial Statements

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LAM RESEARCH CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at June 29, 2008	125,187	125	1,332,159	(1,490,701)	10,620	1,926,394	1,778,597
Sale of common stock	1,806	2	12,012				12,014
Purchase of treasury stock	(1,367)	(1)		(30,945)			(30,946)
Income tax benefit on equity-based compensation plans			(14,294)				(14,294)
Reissuance of treasury stock	906	1	(6,157)	25,953			19,797
Equity-based compensation expense			53,511				53,511
Components of comprehensive loss:							
Net loss						(302,148)	(302,148)
Foreign currency translation adjustment					(58,587)		(58,587)
Unrealized loss on fair value of derivative financial instruments, net					(6,633)		(6,633)
Unrealized gain on financial instruments, net					1,192		1,192
Less: Reclassification adjustment for losses included in earnings					501		501
Change in retiree medical benefit					85		85
Total comprehensive loss							(365,590)
Balance at June 28, 2009	126,532	$ 127	$ 1,377,231	$ (1,495,693)	$ (52,822)	$ 1,624,246	$ 1,453,089
Sale of common stock	1,619	1	13,386				13,387
Purchase of treasury stock	(2,982)	(3)		(106,531)			(106,534)
Income tax benefit on equity-based compensation plans			10,635				10,635
Reissuance of treasury stock	777	1	1,224	20,807		(4,579)	17,453
Equity-based compensation expense			50,463				50,463
Components of comprehensive income:							
Net income						346,669	346,669
Foreign currency translation adjustment					(13,868)		(13,868)
Unrealized loss on fair value of derivative financial instruments, net					(414)		(414)
Unrealized gain on financial instruments, net					2,062		2,062
Less: Reclassification adjustment for gains included in earnings					(645)		(645)
Change in retiree medical benefit					(4,162)		(4,162)
Total comprehensive income							329,642
Balance at June 27, 2010	125,946	$ 126	$ 1,452,939	$ (1,581,417)	$ (69,849)	$ 1,966,336	$ 1,768,135

LAM RESEARCH CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)

(in thousands)

	Common Stock Shares	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balance at June 27, 2010	125,946	$ 126	$ 1,452,939	$ (1,581,417)	$ (69,849)	$ 1,966,336	$ 1,768,135
Sale of common stock	1,744	2	12,404				12,406
Purchase of treasury stock	(4,790)	(5)	(149,589)	(197,840)			(347,434)
Income tax benefit on equity-based compensation plans			28,775				28,775
Reissuance of treasury stock	679	1	3,549	17,666		2	21,218
Equity-based compensation expense			53,012				53,012
Issuance of convertible notes			110,655				110,655
Sale of warrants			133,830				133,830
Purhcase of convertible note hedge			(114,110)				(114,110)
Components of comprehensive income:							
Net income						723,748	723,748
Foreign currency translation adjustment					80,695		80,695
Unrealized gain on fair value of derivative financial instruments, net					6,994		6,994
Unrealized gain on financial instruments, net					621		621
Less: Reclassification adjustment for gains included in earnings					(7,514)		(7,514)
Change in retiree medical benefit					(1,186)		(1,186)
Total comprehensive income							803,358
Balance at June 26, 2011	123,579	$ 124	$ 1,531,465	$ (1,761,591)	$ 9,761	$ 2,690,086	$ 2,469,845

See Notes to Consolidated Financial Statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 26, 2011

Note 1: Company and Industry Information

The Company designs, manufactures, markets, refurbishes and services semiconductor processing equipment used in the fabrication of integrated circuits. Semiconductor wafers are subjected to a complex series of process and preparation steps that result in the simultaneous creation of many individual integrated circuits. The Company leverages its expertise in the areas of etch and single-wafer clean to develop processing solutions that typically benefit its customers through lower defect rates, enhanced yields, faster processing time, or reduced cost. The Company sells its products and services primarily to companies involved in the production of semiconductors in North America, Europe, Taiwan, Korea, Japan, and Asia Pacific.

The semiconductor industry is cyclical in nature and has historically experienced periodic downturns and upturns. Today s leading indicators of changes in customer investment patterns, such as electronics demand, memory pricing, and foundry utilization rates, may not be any more reliable than in prior years. Demand for the Company s equipment can vary significantly from period to period as a result of various factors, including, but not limited to, economic conditions, supply, demand, and prices for semiconductors, customer capacity requirements, and the Company s ability to develop and market competitive products. For these and other reasons, the Company s results of operations for fiscal years 2011, 2010, and 2009 may not necessarily be indicative of future operating results.

Note 2: Summary of Significant Accounting Policies

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

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

Inventory Valuation: Inventories are stated at the lower of cost or market using standard costs which generally approximate actual costs on a first-in, first-out basis. The Company maintains a perpetual inventory system and continuously records the quantity on-hand and standard cost for each product, including purchased

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

components, subassemblies, and finished goods. The Company maintains the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point of title transfer to the customer. Generally, title transfer is documented in the terms of sale. Transfer of title for shipments to Japanese customers generally occurs at time of customer acceptance.

Standard costs are reassessed as needed but annually at a minimum, and reflect achievable acquisition costs. Acquisition costs are generally based on the most recent vendor contract prices for purchased parts, normalized assembly and test labor utilization levels, methods of manufacturing, and normalized overhead. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to absorb spending at average utilization volumes. All intercompany profits related to the sales and purchases of inventory between the Company s legal entities are eliminated from its consolidated financial statements.

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

Warranty: Typically, the sale of semiconductor capital equipment includes providing parts and service warranty to customers as part of the overall price of the system. The Company provides standard warranties for its systems. The Company records a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. The amount recorded is based on an analysis of historical activity which uses factors such as type of system, customer, geographic region, and any known factors such as tool reliability trends. All actual or estimated parts and labor costs incurred in subsequent periods are charged to those established reserves on a system-by-system basis.

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

Equity-based Compensation Employee Stock Purchase Plan (ESPP) and Employee Stock Plans: The Company recognizes the fair value of equity-based awards as employee compensation expense. The fair value of the Company s restricted stock units was calculated based upon the fair market value of Company stock at the date of grant. The fair value of the Company s stock options and ESPP awards was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award. The fair value of equity-based awards is amortized over the vesting period of the award and the Company has elected to use the straight-line method of amortization.

The Company makes quarterly assessments of the adequacy of its tax credit pool related to equity-based compensation to determine if there are any deficiencies that require recognition in its consolidated statements of operations. The Company will only recognize a benefit from stock-based compensation in paid-in-capital if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In

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addition, the Company has elected to account for the indirect benefits of stock-based compensation on the research tax credit through the income statement rather than through paid-in-capital. The Company has also elected to net deferred tax assets and the associated valuation allowance related to net operating loss and tax credit carryforwards for the accumulated stock award tax benefits. The Company tracks these stock award attributes separately and recognizes these attributes through paid-in-capital.

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

The Company calculates its current and deferred tax provision based on estimates and assumptions that can differ from the actual results reflected in income tax returns filed during the subsequent year. Adjustments based on filed returns are recorded when identified.

We recognize the benefit from a tax position only if it is more-likely-than-not that the position would be sustained upon audit based solely on the technical merits of the tax position. Our policy is to include interest and penalties related to unrecognized tax benefits as a component of income tax expense. We must make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, benefits, and deductions, and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes, as well as the interest and penalties relating to these uncertain tax positions. Significant changes to these estimates may result in an increase or decrease to our tax provision in a subsequent period.

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

Goodwill and Intangible Assets: Goodwill represents the amount by which purchase price in each business combination exceeds the fair value of the net tangible and identifiable intangible assets acquired. The carrying value of goodwill is allocated to our reporting units. Goodwill and identifiable intangible assets with indefinite useful lives are tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable and the carrying amount exceeds its fair value.

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The Company reviews goodwill at least annually for impairment. Should certain events or indicators of impairment occur between annual impairment tests, the Company would perform an impairment test of goodwill at that date. In testing for a potential impairment of goodwill, the Company: (1) allocates goodwill to our reporting units to which the acquired goodwill relates; (2) estimates the fair value of its reporting units; and (3) determines the carrying value (book value) of those reporting units, as some of the assets and liabilities related to those reporting units are not held by those reporting units but by a corporate function. Prior to this allocation of the assets to the reporting units, the Company is required to assess long-lived assets for impairment. Furthermore, if the estimated fair value of a reporting unit is less than the carrying value, the Company must estimate the fair value of all identifiable assets and liabilities of that reporting unit, in a manner similar to a purchase price allocation for an acquired business. This can require independent valuations of certain internally generated and unrecognized intangible assets such as in-process research and development and developed technology. Only after this process is completed can the amount of goodwill impairment, if any, be determined.

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

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

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

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

Fiscal Year: The Company follows a 52/53-week fiscal reporting calendar, and its fiscal year ends on the last Sunday of June each year. The Company s most recent fiscal year ended on June 26, 2011 and included 52 weeks. The fiscal years ended June 27, 2010 and June 28, 2009 also included 52 weeks. The Company s next fiscal year, ending on June 24, 2012 will include 52 weeks.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Cash Equivalents and Short-Term Investments: Investments purchased with an original final maturity of three months or less are considered to be cash equivalents. The Company also invests in certain mutual funds, which include equity and fixed income securities, related to its obligations under its deferred compensation plan, and such investments are classified as trading securities on the consolidated balance sheets. All of the Company s other short-term investments are classified as available-for-sale at the respective balance sheet dates. The Company accounts for its investment portfolio at fair value. Investments classified as trading securities are recorded at fair value based upon quoted market prices. Differences between the cost and fair value of trading securities are recognized as Other income (expense) in the Consolidated Statement of Operations. The investments classified as available-for-sale are recorded at fair value based upon quoted market prices, and temporary difference between the cost and fair value of available-for-sale securities is presented as a separate component of accumulated other comprehensive income (loss). Unrealized losses on available-for-sale securities are charged against Other income (expense) when a decline in fair value is determined to be other-than-temporary. The Company considers several factors to determine whether a loss is other-than-temporary. These factors include but are not limited to: (i) the extent to which the fair value is less than cost basis, (ii) the financial condition and near term prospects of the issuer, (iii) the length of time a security is in an unrealized loss position and (iv) the Company s ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company s ongoing consideration of these factors could result in additional impairment charges in the future, which could adversely affect its results of operation. An other-than-temporary impairment is triggered when there is an intent to sell the security, it is more-likely-than-not that the security will be required to be sold before recovery, or the security is not expected to recover the entire amortized cost basis of the security. Other-than-temporary impairments attributed to credit losses are recognized in the income statement. The specific identification method is used to determine the realized gains and losses on investments.

Allowance for Doubtful Accounts: We evaluate our allowance for doubtful accounts based on a combination of factors. In circumstances where specific invoices are deemed to be uncollectible, we provide a specific allowance for bad debt against the amount due to reduce the net recognized receivable to the amount we reasonably believe will be collected. We also provide allowances based on our write-off history. We charge accounts receivable balances against our allowance for doubtful accounts once we have concluded our collection efforts are unsuccessful. Accounts receivable is considered past due when not paid in accordance with the contractual terms of the related arrangement.

Property and Equipment: Property and equipment is stated at cost. Equipment is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to eight years. Furniture and fixtures are depreciated by the straight-line method over the estimated useful lives of the assets, generally five years. Software is depreciated by the straight-line method over the estimated useful lives of the assets, generally three to five years. Buildings are depreciated by the straight-line method over the estimated useful lives of the assets, generally twenty-five to thirty-three years. Leasehold improvements are generally amortized by the straight-line method over the shorter of the life of the related asset or the term of the underlying lease. Amortization of capital leases is included with depreciation expense.

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

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Derivative Financial Instruments: The Company s policy is to attempt to minimize short-term business exposure to foreign currency exchange rate risks using an effective and efficient method to eliminate or reduce such exposures. In the normal course of business, the Company s financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations. The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair values. The Company has a policy that allows the use of derivative financial instruments, specifically foreign currency forward exchange rate contracts, to hedge foreign currency exchange rate fluctuations on forecasted revenue and expenses transactions denominated in Japanese yen and Euros, and net monetary assets or liabilities denominated in various foreign currencies. The Company does not use derivatives for trading or speculative purposes. The Company does not believe that it is exposed to more than a nominal amount of credit risk in its interest rate and foreign currency hedges, as counterparties are established and well-capitalized financial institutions. The Company s exposures are in liquid currencies (Japanese yen, Swiss francs, Euros, and Taiwanese dollars), so there is minimal risk that appropriate derivatives to maintain the Company s hedging program would not be available in the future.

To hedge foreign currency risks, the Company uses foreign currency exchange forward contracts, where possible and practical. These forward contracts are valued using standard valuation formulas with assumptions about future foreign currency exchange rates derived from existing exchange rates and interest rates observed in the market.

The Company considers its most current outlook in determining the level of foreign currency denominated intercompany revenue to hedge as cash flow hedges. The Company combines these forecasts with historical trends to establish the portion of its expected volume to be hedged. The revenue and expenses are hedged and designated as cash flow hedges to protect the Company from exposures to fluctuations in foreign currency exchange rates. If the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the related hedge gains and losses on the cash flow hedge are reclassified from accumulated other comprehensive income (loss) to interest and other income (expense) on the consolidated statement of operations at that time.

Guarantees: The Company has certain operating leases that contain provisions whereby the properties subject to the operating leases may be remarketed at lease expiration. The Company has guaranteed to the lessor an amount approximating the lessor s investment in the property. The Company has recorded a liability for certain guaranteed residual values related to these specific operating lease agreements. Also, the Company s guarantees generally include certain indemnifications to its lessors under operating lease agreements for environmental matters, potential overdraft protection obligations to financial institutions related to one of the Company s subsidiaries, indemnifications to the Company s customers for certain infringement of third-party intellectual property rights by its products and services, and the Company s warranty obligations under sales of its products.

Foreign Currency Translation: The Company s non-U.S. subsidiaries that operate in a local currency environment, where that local currency is the functional currency, primarily generate and expend cash in their local currency. Billings and receipts for their labor and services are primarily denominated in the local currency, and the workforce is paid in local currency. Accordingly, all balance sheet accounts of these local functional currency subsidiaries are translated at the fiscal period-end exchange rate, and income and expense accounts are translated using average rates in effect for the period, except for costs related to those balance sheet items that are translated using historical exchange rates. The resulting translation adjustments are recorded as cumulative translation adjustments and are a component of accumulated other comprehensive income (loss). Translation adjustments are recorded in other income (expense), net, where the U.S. dollar is the functional currency.

Note 3: Recent Accounting Pronouncements

In September 2009, the Financial Accounting Standards Board (FASB) ratified guidance from the Emerging Issues Task Force (EITF) regarding revenue arrangements with multiple deliverables. This guidance

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addresses criteria for separating the consideration in multiple-element arrangements and requires companies to allocate the overall consideration to each deliverable by using a best estimate of the selling price of individual deliverables in the arrangement in the absence of vendor-specific objective evidence or other third-party evidence of the selling price. The Company adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on its results of operations or financial condition.

In September 2009, the FASB also ratified guidance from the EITF regarding certain revenue arrangements that include software elements. This guidance modifies the scope of the software revenue recognition rules to exclude (a) non-software components of tangible products and (b) software components of tangible products that are sold, licensed, or leased with tangible products when the software components and non-software components of the tangible product function together to deliver the tangible product s essential functionality. The Company adopted this guidance on June 28, 2010, on a prospective basis, and the adoption did not have a significant impact on its results of operations or financial condition.

In June 2011, the FASB issued new authoritative guidance that increases the prominence of items reported in other comprehensive income (OCI) by eliminating the option to present components of OCI as part of the statement of changes in stockholders equity. The amendments in this standard require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Under either method, adjustments must be displayed for items that are reclassified from OCI to net income in the financial statements where the components of net income and the components of OCI are presented. This guidance does not affect the underlying accounting for components of OCI, but will change the presentation of the Company s financial statements. The Company will adopt this authoritative guidance retrospectively in the first quarter of its fiscal year 2013.

Note 4: Financial Instruments

Fair Value

The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact, and it considers assumptions that market participants would use when pricing the asset or liability.

A fair value hierarchy has been established that prioritizes the inputs to valuation techniques used to measure fair value. An asset or liability s level in the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities with sufficient volume and frequency of transactions.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or model-derived valuations techniques for which all significant inputs are observable in the market or can be corroborated by, observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuations based on unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities and based on non-binding, broker-provided price quotes and may not have been corroborated by observable market data.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The following table sets forth the Company s financial assets and liabilities measured at fair value on a recurring basis as of June 26, 2011:

		Fair Value Measurement at June 26, 2011		
	Total	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(In thousands)		
Assets				
Short-Term Investments				
Money Market Funds	$ 1,300,098	$ 1,300,098	$	$
Municipal Notes and Bonds	321,339		321,339	
US Treasury and Agencies	8,496	8,496		
Government-Sponsored Enterprises	19,868		19,868	
Foreign Government Bonds	1,005		1,005	
Corporate Notes and Bonds	382,432	164,885	217,547	
Mortgage Backed Securities Residential	2,633		2,633	
Mortgage Backed Securities Commercial	60,729		60,729	
Total Short-Term Investments	**$ 2,096,600**	**$ 1,473,479**	**$ 623,121**	**$**
Equities	7,443	7,443		
Mutual Funds	19,467	19,467		
Derivatives Assets	1,994		1,994	
Total	**$ 2,125,504**	**$ 1,500,389**	**$ 625,115**	**$**
Liabilities				
Derivative liabilities	$ 1,924	$	$ 1,924	$

The amounts in the table above are reported in the consolidated balance sheet as of June 26, 2011 as follows:

Reported As:	**Total**	**(Level 1)**	**(Level 2)**	**(Level 3)**
		(In thousands)		
Cash Equivalents	$ 1,301,600	$ 1,300,098	$ 1,502	$
Short-Term Investments	630,115	8,496	621,619	
Restricted Cash and Investments	164,885	164,885		
Prepaid Expenses and Other Current Assets	26,910	26,910		
Other Assets	1,994		1,994	
Total	**$ 2,125,504**	**$ 1,500,389**	**$ 625,115**	**$**
Accrued Expenses and Other Current Liabilities	$ 1,924	$	$ 1,924	$

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The following table sets forth the Company s financial assets and liabilities measured at fair value on a recurring basis as of June 27, 2010:

		Fair Value Measurement at June 27, 2010		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
Assets				
Short-Term Investments				
Money Market Funds	$ 470,936	$ 470,936	$	$
Municipal Notes and Bonds	103,903		103,903	
US Treasury and Agencies	3,447		3,447	
Government-Sponsored Enterprises	6,060	6,060		
Foreign Government Bonds	1,008		1,008	
Corporate Notes and Bonds	289,437	169,723	119,636	78
Mortgage Backed Securities Residential	6,106		6,106	
Mortgage Backed Securities Commercial	42,964		42,964	
Total Short-Term Investments	**$ 923,861**	**$ 646,719**	**$ 277,064**	**$ 78**
Equities	7,636	7,636		
Mutual Funds	18,124	18,124		
Derivatives Assets	2,063		2,063	
Total	**$ 951,684**	**$ 672,479**	**$ 279,127**	**$ 78**
Liabilities				
Derivative liabilities	$ 470	$	$ 470	$

The amounts in the table above are reported in the consolidated balance sheet as of June 27, 2010 as follows:

Reported As:	Total	(Level 1)	(Level 2)	(Level 3)
	(In thousands)			
Cash Equivalents	$ 478,286	$ 477,279	$ 1,007	$
Short-Term Investments	280,690	4,555	276,057	78
Restricted Cash and Investments	164,885	164,885		
Prepaid Expenses and Other Current Assets	2,063		2,063	
Other Assets	25,760	25,760		
Total	**$ 951,684**	**$ 672,479**	**$ 279,127**	**$ 78**
Accrued Expenses and Other Current Liabilities	$ 470	$	$ 470	$

The Company s primary financial instruments include its cash, cash equivalents, short-term investments, restricted cash and investments, long-term investments, accounts receivable, accounts payable, long-term debt and capital leases, and foreign currency related derivatives. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to the short period of time to their maturities. The estimated fair values of long-term debt, excluding convertible notes, and capital lease obligations approximate their carrying value as the substantial majority of these obligations have interest rates that adjust to market rates on a periodic basis. The estimated fair value of convertible notes approximates their carrying value as interest rates on comparable debt have not changed significantly since issuance of the notes. The fair value of cash equivalents, short-term investments, restricted cash and investments, long-term investments, and foreign currency related derivatives are based on quotes from brokers using market prices for similar instruments.

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Investments

The following tables summarize the Company s investments (in thousands):

	June 26, 2011				June 27, 2010			
	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value	Cost	Unrealized Gain	Unrealized (Loss)	Fair Value
Cash	$ 190,903	$	$	$ 190,903	$ 67,830	$	$	$ 67,830
Fixed Income Money Market Funds	1,300,098			1,300,098	470,936			470,936
Municipal Notes and Bonds	319,913	1,510	(84)	321,339	102,130	1,784	(11)	103,903
US Treasury and Agencies	8,462	34		8,496	3,437	10		3,447
Government-Sponsored Enterprises	19,864	6	(2)	19,868	5,976	84		6,060
Foreign Government Bonds	1,004	1		1,005	1,007	1		1,008
Corporate Notes and Bonds	380,992	1,498	(58)	382,432	287,922	1,608	(93)	289,437
Mortgage Backed Securities Residential	2,521	144	(32)	2,633	5,825	323	(42)	6,106
Mortgage Backed Securities Commercial	60,639	277	(187)	60,729	42,765	275	(76)	42,964
Total Cash and Short-Term Investments	**$ 2,284,396**	**$ 3,470**	**$ (363)**	**$ 2,287,503**	**$ 987,828**	**$ 4,085**	**$ (222)**	**$ 991,691**
Publicly Traded Equity Securities	$ 9,320	$	$ (1,877)	$ 7,443	$ 9,471	$	$ (1,835)	$ 7,636
Mutual Funds	17,975	1,492		19,467	19,043		(919)	18,124
Total Financial Instruments	**$ 2,311,691**	**$ 4,962**	**$ (2,240)**	**$ 2,314,413**	**$ 1,016,342**	**$ 4,085**	**$ (2,976)**	**$ 1,017,451**
As Reported								
Cash and Cash Equivalents	$ 1,492,132	$	$	$ 1,492,132	$ 545,766	$ 1	$	$ 545,767
Short-Term Investments	627,008	3,470	(363)	630,115	276,828	4,084	(222)	280,690
Restricted Cash and Investments	165,256			165,256	165,234			165,234
Prepaid Expenses Other Assets	27,295	1,492	(1,877)	26,910	28,514		(2,754)	25,760
Total	**$ 2,311,691**	**$ 4,962**	**$ (2,240)**	**$ 2,314,413**	**$ 1,016,342**	**$ 4,085**	**$ (2,976)**	**$ 1,017,451**

The Company accounts for its investment portfolio at fair value. Realized gains (losses) for investments sold are specifically identified. Management assesses the fair value of investments in debt securities that are not actively traded through consideration of interest rates and their impact on the present value of the cash flows to be received from the investments. The Company also considers whether changes in the credit ratings of the issuer could impact the assessment of fair value. Net realized gains (losses) on investments included other-than-temporary impairment charges of $0 million, $0.9 million and $0.3 million in fiscal years 2011, 2010 and 2009, respectively. Additionally, realized gains/(losses) from sales of investments were approximately $0.7 million and $(0.3) million in fiscal year 2011, $0.8 million and $(0.2) million in fiscal year 2010, $2.2 million and $(1.9) million in fiscal year 2009, respectively.

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The following is an analysis of the Company s fixed income securities in unrealized loss positions as of June 26, 2011 (in thousands):

	June 26, 2011					
	UNREALIZED LOSSES LESS THAN 12 MONTHS		UNREALIZED LOSSES 12 MONTHS OR GREATER		TOTAL	
	Fair Value	Unrealized	Fair Value	Unrealized	Fair Value	Unrealized
Fixed Income Securities						
Municipal Notes and Bonds	$ 60,311	$ (84)	$	$	$ 60,311	$ (84)
Government-Sponsored Enterprises	9,995	(2)			9,995	(2)
Corporate Notes and Bonds	43,383	(58)			43,383	(58)
Mortgage Backed Securities Residential			273	(32)	273	(32)
Mortgage Backed Securities Commercial	32,539	(187)			32,539	(187)
Total Fixed Income	**$ 146,228**	**$ (331)**	**$ 273**	**$ (32)**	**$ 146,501**	**$ (363)**

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

	June 26, 2011		June 27, 2010	
	Cost	Estimated Fair Value	Cost	Estimated Fair Value
	(in thousands)			
Due in less than one year	$ 1,606,390	$ 1,606,925	$ 723,143	$ 723,707
Due in more than one year	487,103	489,675	196,855	200,154
	$ 2,093,493	$ 2,096,600	$ 919,998	$ 923,861

Management has the ability, if necessary, to liquidate any of its investments in order to meet the Company s liquidity needs in the next 12 months. Accordingly, those investments with contractual maturities greater than one year from the date of purchase nonetheless are classified as short-term on the accompanying consolidated balance sheets.

Derivative Instruments and Hedging

The Company carries derivative financial instruments (derivatives) on its consolidated balance sheets at their fair values. The Company enters into foreign exchange forward contracts with financial institutions with the primary objective of reducing volatility of earnings and cash flows related to foreign currency exchange rate fluctuations. The counterparties to these foreign exchange forward contracts are creditworthy multinational financial institutions; therefore, we do not consider the risk of counterparty nonperformance to be material.

Cash Flow Hedges

The Company s policy is to attempt to minimize short-term business exposure to foreign currency exchange rate fluctuations using an effective and efficient method to eliminate or reduce such exposures. In the normal course of business, the Company s financial position is routinely subjected to market risk associated with foreign currency exchange rate fluctuations. To protect against a reduction in value of Japanese yen-denominated revenues and Euro-denominated expenses, the Company has instituted a foreign currency cash flow hedging

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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program. The Company enters into foreign exchange forward contracts that generally expire within 12 months and no later than 24 months. These foreign exchange forward contracts are designated as cash flow hedges and are carried on the Company s balance sheet at fair value with the effective portion of the contracts gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in revenue in the same period the hedged revenue is recognized.

At inception and at each quarter end, hedges are tested prospectively and retrospectively for effectiveness using regression analysis. Changes in the fair value of foreign exchange forward contracts due to changes in time value are excluded from the assessment of effectiveness and are recognized in revenue in the current period. The change in time value related to these contracts was not material for all reported periods. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These criteria include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument s effectiveness in offsetting the exposure to changes in the hedged item s fair value or cash flows will be measured. There were no gains or losses during the twelve months ended June 26, 2011 or June 27, 2010 associated with ineffectiveness or forecasted transactions that failed to occur. There were $4.0 million of deferred net losses associated with ineffectiveness related to forecasted transactions that were no longer considered probable of occurring and were recognized in Other income (expense), net in the Company s consolidated statements of operations during twelve months ended June 28, 2009.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be tested to demonstrate an expectation of providing highly effective offsetting changes to future cash flows on hedged transactions. When derivative instruments are designated and qualify as effective cash flow hedges, the Company is able to defer effective changes in the fair value of the hedging instrument within accumulated other comprehensive income (loss) until the hedged exposure is realized. Consequently, with the exception of excluded time value and hedge ineffectiveness recognized, the Company s results of operations are not subject to fluctuation as a result of changes in the fair value of the derivative instruments. If hedges are not highly effective or if the Company does not believe that the underlying hedged forecasted transactions will occur, the Company may not be able to account for its derivative instruments as cash flow hedges. If this were to occur, future changes in the fair values of the Company s derivative instruments would be recognized in earnings. Additionally, related amounts previously recorded in Other comprehensive income would be reclassified to income immediately. At June 26, 2011, the Company had gains of $0.6 million accumulated in Other Comprehensive Income, which it expects to reclassify from Other Comprehensive Income into earnings over the next 12 months.

Balance Sheet Hedges

The Company also enters into foreign exchange forward contracts to hedge the effects of foreign currency fluctuations associated with foreign currency denominated monetary assets and liabilities, primarily intercompany receivables and payables. These foreign exchange forward contracts are not designated for hedge accounting treatment. Therefore, the change in fair value of these derivatives is recorded as a component of other income (expense) and offsets the change in fair value of the foreign currency denominated assets and liabilities, recorded in other income (expense).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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As of June 26, 2011, the Company had the following outstanding foreign currency forward contracts that were entered into to hedge forecasted revenues and purchases:

	Derivatives Designated as Hedging Instruments:	Derivatives Not Designated as Hedging Instruments:
	(in thousands)	
Foreign Currency Forward Contracts		
Sell JPY	$ 107,912	$ 62,012
Buy CHF		257,588
Buy EUR	103,590	41,802
Buy TWD		83,368
	$ 211,502	$ 444,770

The fair value of derivatives instruments in the Company s consolidated balance sheet as of June 26, 2011 was as follows:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)			
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$ 1,881	Accrued liabilities	$ (1,142)
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	113	Accrued liabilities	(782)
Total derivatives		**$ 1,994**		**$ (1,924)**

The fair value of derivatives instruments in the Company s consolidated balance sheet as of June 27, 2010 was as follows:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
	(in thousands)			
Derivatives designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	$ 30	Accrued liabilities	$ (52)
Derivatives not designated as hedging instruments:				
Foreign exchange forward contracts	Prepaid expense and other assets	2,033	Accrued liabilities	(418)

Total derivatives	**$**	**2,063**	**$**	**(470)**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

The effect of derivative instruments designated as cash flow hedges on the Company s consolidated statements of operations for the twelve months ended June 26, 2011 and June 27, 2010 was as follows:

	Twelve Months Ended June 26, 2011			
	Gain (Loss) Recognized (Effective Portion) (1)	Gain (Loss) Recognized (Effective Portion) (2)	Gain (Loss) Recognized (Ineffective Portion) (3)	Gain (Loss) Recognized (Excluded from Effectiveness Testing) (4)
	(in thousands)			
Derivatives Designated as Hedging Instruments:				
Foreign exchange forward contracts	$ (5,134)	$ (5,716)	$	$ 516

	Twelve Months Ended June 27, 2010			
	Gain (Loss) Recognized (Effective Portion) (1)	Gain (Loss) Recognized (Effective Portion) (2)	Gain (Loss) Recognized (Ineffective Portion) (3)	Gain (Loss) Recognized (Excluded from Effectiveness Testing) (4)
	(in thousands)			
Derivatives Designated as Hedging Instruments:				
Foreign exchange forward contracts	$388	$404	$	$59

(1) Amount recognized in other comprehensive income (loss) (effective portion).

(2) Amount of gain (loss) reclassified from accumulated other comprehensive income into income (loss) (effective portion) located in revenue.

(3) Amount of gain (loss) recognized in income on derivative (ineffective portion) located in other income (expense), net.

(4) Amount of gain (loss) recognized in income on derivative (amount excluded from effectiveness testing) located in other income (expense), net.

The effect of derivative instruments not designated as cash flow hedges on the Company s consolidated statement of operations for the twelve months ended June 26, 2011 and June 27, 2010 was as follows:

	Twelve Months Ended	
	June 26, 2011	June 27, 2010
	Gain (Loss) Recognized (5)	Gain (Loss) Recognized (5)

	(in thousands)	
Derivatives Not Designated as Hedging Instruments:		
Foreign exchange forward contracts	$ 55,362	$ (17,367)

(5) Amount of gain (loss) recognized in income located in other income (expense), net.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents, short term investments, restricted cash and investments, trade accounts receivable, and derivative financial instruments used in hedging activities. Cash is placed on deposit in major financial institutions in various countries throughout the world. Such deposits may be in excess of insured limits. Management believes that the financial institutions that hold the Company s cash are financially sound and, accordingly, minimal credit risk exists with respect to these balances.

The Company s available-for-sale securities must have a minimum rating of A2 / A at the time of original purchase, as rated by two of the following three rating agencies: Moody s, Standard & Poor s (S&P), or Fitch. The Company s policy limits the amount of credit exposure with any one financial institution or commercial issuer.

The Company is exposed to credit losses in the event of nonperformance by counterparties on the foreign currency forward contracts that are used to mitigate the effect of exchange rate changes and on contracts related to structured share repurchase agreements. These counterparties are large international financial institutions and to date, no such counterparty has failed to meet its financial obligations to the Company.

As of June 26, 2011, three customers accounted for approximately 17%, 14%, and 10% of accounts receivable. As of June 27, 2010, two customers accounted for approximately 24% and 22 % of accounts receivable.

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

Note 5: Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. Shipments to Japanese customers, to whom title does not transfer until customer acceptance, are classified as inventory and carried at cost until title transfers. Inventories consist of the following:

	June 26, 2011	June 27, 2010
	(in thousands)	
Raw materials	$ 212,979	$ 159,574
Work-in-process	69,013	67,114
Finished goods	114,615	91,791
	$ 396,607	$ 318,479

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Note 6: Property and Equipment

Property and equipment, net, consist of the following:

	June 26, 2011	June 27, 2010
	(in thousands)	
Manufacturing, engineering and office equipment	$ 345,684	$ 253,925
Computer equipment and software	95,770	77,249
Land	14,758	15,574
Buildings	65,429	61,145
Leasehold improvements	55,833	55,300
Furniture and fixtures	15,258	14,095
	592,732	477,288
Less: accumulated depreciation and amortization	(322,274)	(276,952)
	$ 270,458	$ 200,336

Depreciation expense, including amortization of capital leases, during fiscal years 2011, 2010, and 2009 was $54.0 million, $47.8 million, $48.4 million, respectively.

Note 7: Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	June 26, 2011	June 27, 2010
	(in thousands)	
Accrued compensation	$ 206,313	$ 164,579
Warranty reserves	40,951	31,756
Income and other taxes payable	51,183	54,874
Other	60,309	58,188
	$ 358,756	$ 309,397

Note 8: Other Income (Expense), Net

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

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009

		(in thousands)	
Interest income	$ 15,572	$ 8,598	$ 24,283
Interest expense	(5,380)	(994)	(6,497)
Foreign exchange gains (losses)	(11,085)	(103)	922
Other, net	(2,516)	(2,770)	(558)
	$ (3,409)	$ 4,731	$ 18,150

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Note 9: Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted net income (loss) per share is computed, using the treasury stock method, as though all potential common shares that are dilutive were outstanding during the period. There are no dilutive shares included during fiscal year 2009 due to the net loss for the period. The following table provides a reconciliation of the numerators and denominators of the basic and diluted computations for net income per share.

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands, except per share data)		
Numerator:			
Net income (loss)	$ 723,748	$ 346,669	$ (302,148)
Denominator:			
Basic average shares outstanding	123,529	126,933	125,595
Effect of potential dilutive securities:			
Employee stock plans	1,490	1,193	
Diluted average shares outstanding	125,019	128,126	125,595
Net income (loss) per share basic	$ 5.86	$ 2.73	$ (2.41)
Net income (loss) per share diluted	$ 5.79	$ 2.71	$ (2.41)

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

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Number of options and RSUs excluded	241	577	2,699

Diluted shares outstanding do not include any effect resulting from warrants, assumed conversion of the Notes, or note hedges (as described in Note 13) as their impact would have been anti-dilutive.

Note 10: Comprehensive Income (Loss)

The components of comprehensive income (loss), on an after-tax basis where applicable, are as follows:

Year Ended

	June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009
Net income (loss)	$ 723,748	$ 346,669	$ (302,148)
Foreign currency translation adjustment	80,695	(13,868)	(58,587)
Unrealized gain (loss) on fair value of derivative financial instruments, net	6,994	(414)	(6,633)
Unrealized gain on financial instruments, net	621	2,062	1,192
Reclassification adjustment for loss (gain) included in earnings	(7,514)	(645)	501
Postretirement benefit plan adjustment	(1,186)	(4,162)	85
Comprehensive income (loss)	$ 803,358	$ 329,642	$ (365,590)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

The balance of accumulated other comprehensive income (loss), on an after-tax basis where applicable, is as follows:

	June 26, 2011	June 27, 2010
	(in thousands)	
Accumulated foreign currency translation adjustment	$ 14,852	$ (65,843)
Accumulated unrealized gain (loss) on derivative financial instruments	581	(1)
Accumulated unrealized gain on financial instruments	744	1,225
Postretirement benefit plan adjustment	(6,416)	(5,230)
Accumulated other comprehensive income (loss)	$ 9,761	$ (69,849)

Note 11: Equity-Based Compensation Plans

The Company has adopted stock plans that provide for the grant to employees of equity-based awards, including stock options and restricted stock units (RSUs), of Lam Research Common Stock. In addition, these plans permit the grant of nonstatutory equity-based awards to consultants and outside directors. An option is a right to purchase the Company s stock at a set price. An RSU award is an agreement to issue shares of the Company s stock at the time of vesting. Pursuant to the plans, the equity-based award price is determined by the Board of Directors or its designee, the plan administrator, but in no event will the exercise price for any option be less than the fair market value of the Company s Common Stock on the date of grant. Equity-based awards granted under the plans vest over a period determined by the Board of Directors or the plan administrator, typically over a period of two years or less. The Company also has an ESPP that allows employees to purchase shares of its Common Stock through payroll deduction at a discounted price. A summary of stock plan transactions is as follows:

		Options Outstanding		Restricted Stock Units Outstanding	
	Available For Grant	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average FMV at Grant
June 29, 2008	15,839,806	2,606,694	$ 21.60	1,696,224	$ 46.51
Granted	(2,592,679)	476,094	$ 20.21	2,116,585	$ 27.29
Exercised		(731,934)	$ 16.42		
Canceled	981,297	(760,538)	$ 24.97	(220,759)	$ 43.98
Expired	(3,516,323)				
Vested restricted stock				(1,071,987)	$ 47.26
June 28, 2009	10,712,101	1,590,316	$ 22.10	2,520,063	$ 30.32
Granted	(1,383,941)		$	1,383,941	$ 34.71
Exercised		(642,861)	$ 20.91		
Canceled	259,579	(62,030)	$ 41.36	(197,549)	$ 33.23
Vested restricted stock				(965,693)	$ 35.29
June 27, 2010	9,587,739	885,425	$ 21.61	2,740,762	$ 30.50
Granted	(922,210)		$	922,210	$ 50.11
Exercised		(572,182)	$ 21.68		
Canceled	157,495	(3,310)	$ 20.35	(154,185)	$ 32.20
Expired	(68,869)				

Vested restricted stock					(1,177,447)	$	27.03
June 26, 2011	8,754,155	309,933	$	21.50	2,331,340	$	39.90

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Outstanding and exercisable options presented by price range at June 26, 2011 are as follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Life (Years)	Weighted-Average Exercise Price	Number of Options Exercisable	Weighted-Average Exercise Price
$16.14-$19.25	10,315	0.18	$ 16.52	10,315	$ 16.52
$20.21-$22.79	220,258	2.63	$ 20.23	220,258	$ 20.23
$23.61-$24.69	51,200	0.18	$ 24.00	51,200	$ 24.00
$25.98-$26.19	3,060	0.23	$ 26.02	3,060	$ 26.02
$27.79-$29.06	25,100	3.45	$ 29.05	25,100	$ 29.05
$16.14-$29.06	309,933	2.26	$ 21.50	309,933	$ 21.50

The 2007 Stock Incentive Plan provides for the grant of non-qualified equity-based awards to eligible employees, consultants and advisors, and non-employee directors of the Company and its subsidiaries. Additional shares are reserved for issuance pursuant to awards previously granted under the Company s 1997 Stock Incentive Plan and its 1999 Stock Option Plan. As of June 26, 2011 there were a total of 2,641,273 shares subject to options and restricted stock units issued and outstanding under the Company s Stock Plans. As of June 26, 2011, there were a total of 8,754,155 shares available for future issuance under the 2007 Stock Incentive Plan.

The ESPP allows employees to designate a portion of their base compensation to be deducted and used to purchase the Company s Common Stock at a purchase price per share of the lower of 85% of the fair market value of the Company s Common Stock on the first or last day of the applicable purchase period. Typically, each offering period lasts 12 months and comprises three interim purchase dates. Key provisions of the ESPP include (i) an annual increase in the number of shares available for issuance under the plan by a specific amount on a one-for-one basis with shares of Common Stock that the Company repurchases for such purpose and (ii) authorization of the Plan Administrator (the Compensation Committee of the Board) to set a limit on the number of shares a plan participant can purchase on any single plan exercise date. The automatic annual increase provides that the number of shares in the plan reserve available for issuance shall be increased on the first business day of each calendar year commencing with 2004, on a one-for-one basis with each share of Common Stock that the Company repurchases, and designates for this purpose, by a number of shares equal to the lesser of (i) 2,000,000, (ii) one and one-half percent (1.5%) of the number of shares of all classes of Common Stock of the Company outstanding on the first business day of such calendar year, or (iii) a lesser number determined by the Plan Administrator. During fiscal years 2011, 2010, and 2009, the number of shares of Lam Research Common Stock reserved for issuance under the 1999 ESPP increased by 1.9 million each year.

During fiscal year 2011, a total of 679,406 shares of the Company s Common Stock were sold to employees under the 1999 ESPP. At June 26, 2011, 9,672,531 shares were available for purchase under the 1999 ESPP.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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The estimated fair value of the Company s stock-based awards, less expected forfeitures, is amortized over the awards vesting period on a straight-line basis. The Company recognized or realized the following equity-based compensation expenses and benefits during the fiscal years noted:

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009
		(in millions)	
Equity-based compensation expense	$ 53.0	$ 50.5	$ 53.0
Income tax benefit recognized in the Consolidated Statement of Operations related to equity-based compensation	$ 8.6	$ 8.3	$ 9.1
Tax benefit realized from the exercise and vesting of options and RSUs	$ 16.3	$ 11.1	$ 8.1

Stock Options and Restricted Stock Units

Stock Options

The Company did not grant any stock options during fiscal years 2011 or 2010. The fair value of the Company s stock options granted during fiscal year 2009 was estimated using a Black-Scholes option valuation model. This model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each award. The Company assumed no expected dividends and the following assumptions were used to value these stock options:

Expected term	4.0 years
Expected volatility	46.9%
Risk-free interest rate	2.07%

The year-end intrinsic value relating to stock options for fiscal years 2011, 2010, and 2009 is presented below:

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009
		(millions)	
Intrinsic value options outstanding	$ 6.73	$ 16.50	$ 6.70
Intrinsic value options exercisable	$ 6.73	$ 6.96	$ 4.50
Intrinsic value options exercised	$ 16.70	$ 9.98	$ 7.20

As of June 26, 2011, all stock options outstanding are fully vested and all related compensation expense has been recognized. Cash received from stock option exercises was $12.4 million, $13.4 million, and $12.0 million during fiscal years 2011, 2010, and 2009, respectively.

Restricted Stock Units

The fair value of the Company s restricted stock units was calculated based upon the fair market value of the Company s stock at the date of grant. As of June 26, 2011, there was $58.7 million of total unrecognized compensation cost related to unvested restricted stock units granted; that cost is expected to be recognized over a weighted average remaining vesting period of 1.3 years.

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ESPP

ESPP rights were valued using the Black-Scholes model. During fiscal years 2011, 2010, and 2009 ESPP was valued assuming no expected dividends and the following weighted-average assumptions:

	Year Ended		
	June 26, 2011	**June 27, 2010**	**June 28, 2009**
Expected life (years)	0.68	0.78	0.68
Expected stock price volatility	42.25%	59.07%	74.00%
Risk-free interest rate	0.61%	0.61%	0.41%

As of June 26, 2011, there was $1.2 million of total unrecognized compensation cost related to the ESPP that is expected to be recognized over a remaining vesting period of 2 months.

Note 12: Retirement and Deferred Compensation Plans

Employee Savings and Retirement Plan

The Company maintains a 401(k) retirement savings plan for its full-time employees in North America. Each participant in the plan may elect to contribute from 1% to 75% of his or her annual eligible earnings to the plan, subject to statutory limitations. The Company makes matching employee contributions in cash to the plan at the rate of 50% of the first 6% of earnings contributed. Employees participating in the 401(k) retirement savings plan are fully vested in the Company matching contributions, and investments are directed by participants. The Company made matching contributions of approximately $5.1 million, $4.3 million, and $4.7 million in fiscal years 2011, 2010, and 2009, respectively.

Deferred Compensation Arrangements

The Company has an unfunded, non-qualified deferred compensation plan whereby certain executives may defer a portion of their compensation. Participants earn a return on their deferred compensation based on their allocation of their account balance among measurement funds. The Company controls the investment of these funds and the participants remain general creditors of the Company. Participants are able to elect the payment of benefits on a specified date at least three years after the opening of a deferral subaccount or upon retirement. Distributions are made in the form of lump sum or annual installments over a period of up to 20 years as elected by the participant. If no alternate election has been made, a lump sum payment will be made upon termination of a participant s employment with the Company. As of June 26, 2011 and June 27, 2010 the liability of the Company to the plan participants was $62.5 million and $55.1 million, respectively, which was recorded in accrued expenses and other current liabilities on the Consolidated Balance Sheets. As of June 26, 2011 and June 27, 2010 the Company had investments in the aggregate amount of $64.7 million and $53.0 million respectively that correlate to the deferred compensation obligations, which were recorded in other assets on the consolidated balance sheets.

Postretirement Healthcare Plan

The Company maintains a postretirement healthcare plan for certain executive and director retirees. Coverage continues through the duration of the lifetime of the retiree or the retiree s spouse, whichever is longer. The benefit obligation was $13.6 million and $8.9 million as of June 26, 2011 and June 27, 2010, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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Note 13: Long Term Debt

The following table reflects the carrying value of the Company s convertible notes and other long-term debt as of June 26, 2011:

	June 26, 2011	June 27, 2010
	(in millions)	
0.50% Notes due 2016	$ 450.0	$
Less: Unamortized interest discount	$ (74.4)	
Net carrying amount of 0.50% Notes 2016	$ 375.6	
1.25% Notes due 2018	450.0	
Less: Unamortized interest discount	(103.2)	
Net carrying amount of 1.25% Notes 2018	346.8	
Other long-term debt	3.9	7.0
Total long-term debt	$ 726.3	$ 7.0

Convertible Senior Notes

In May 2011, the Company issued and sold $450 million in aggregate principal amount of 0.5% Convertible Senior Notes due May 2016 (the 2016 Notes) at par. At the same time, the Company issued and sold $450 million in aggregate principal amount of 1.25% Convertible Senior Notes due May 2018 (the 2018 Notes , and collectively with the 2016 Notes the Notes) at par. The Notes may be converted, under certain circumstances, based on an initial conversion rate of 15.8687 shares of common stock per $1,000 principal amount of notes (which represents an initial conversion price of approximately $63.02 per share of common stock).

The net proceeds to the Company from the sale of the Notes were $835.5 million. The Company pays cash interest at an annual rate of 0.5% and 1.25%, respectively, on the 2016 and 2018 Notes, payable semi-annually on May 15 and November 15 of each year, beginning November 15, 2011. Debt issuance costs were approximately $17.2 million, of which $3.5 million was allocated to capital in excess of par value and $13.7 million was allocated to deferred issuance costs and is amortized to interest expense over the term of the Notes.

The Company separately accounts for the liability and equity components of the Notes. The initial debt components of the 2016 and 2018 Notes were valued at $373.8 million and $345.1 million, respectively, based on the present value of the future cash flows using discount rates of 4.29% and 5.27%, respectively, the Company s borrowing rate at the date of the issuance for similar debt instruments without the conversion feature. The carrying value of the equity components were $74.4 million and $103.2 million, respectively, as of June 26, 2011. The effective interest rates on the liability components of the 2016 Notes and 2018 Notes for the year ended June 26, 2011 were 4.29% and 5.27%, respectively. The following table presents the amount of interest cost recognized relating to both the contractual interest coupon and amortization of the discount on the liability component of the Notes during the year ended June 26, 2011.

	June 26, 2011 (in millions)

Contractual interest coupon	$	1.1
Amortization of interest discount		3.6
Total interest cost recognized	$	4.7

The remaining bond discount of the 2016 Notes and 2018 Notes of $74.4 million and $103.2 million, respectively, as of June 26, 2011 will be amortized over the respective remaining lives of the Notes

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JUNE 26, 2011

The 2016 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2016, at the option of the holder, only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the measurement period) in which the trading price per $1,000 principal amount of 2016 notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company s common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company s common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2016 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2016, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, a holder will receive the conversion value of the 2016 Notes to be converted equal to the conversion rate multiplied by the volume weighted average price of the Company s common stock during a specified period following the conversion date. The conversion value of each 2016 Note will be paid in: 1) cash equal to the principal amount of the note, and 2) to the extent the conversion value exceeds the principal amount of the note, common stock (plus cash in lieu of any fractional shares of common stock). The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Upon a fundamental change at any time, as defined, the Company will in some cases increase the conversion rate for a holder who elects to convert its 2016 Notes in connection with such fundamental change. In addition, the holders may require the Company to repurchase for cash all or a portion of their notes upon a designated event at a price equal to 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest, if any.

Concurrently with the issuance of the 2016 Notes, the Company purchased a convertible note hedge and sold warrants. The separate convertible note hedge and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the 2016 Notes and to increase the initial conversion price to $71.34 per share. Each of these components is discussed separately below:

Convertible Note Hedge. Counterparties agreed to sell to the Company up to approximately 7.1 million shares of the Company s common stock, which is the number of shares initially issuable upon conversion of the 2016 Notes in full, at a price of $63.02 per share. The convertible note hedge transaction will be settled in net shares and will terminate upon the earlier of the maturity date of the 2016 Notes or the first day none of the 2016 Notes remains outstanding due to conversion or otherwise. Settlement of the convertible note hedge in net shares, based on the number of shares issued upon conversion of the 2016 Notes, on the expiration date would result in the Company receiving net shares equivalent to the number of shares issuable by the Company upon conversion of the 2016 Notes. Should there be an early unwind of the convertible note hedge transaction, the number of net shares potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company s stock price, 3) the volatility of the Company s stock, and 4) the amount of time remaining before expiration of the convertible note hedge. The convertible note hedge transaction cost of $76.2 million has been accounted for as an equity transaction. The Company initially recorded approximately $28.2 million in stockholders equity from the net deferred tax liability related to the convertible note hedge at inception of the transaction.

Sold Warrants. The Company received $57.6 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company s common stock at an exercise price of $71.34 per share. As of June 26, 2011, the warrants had an expected life of 4.9 years and expire between August 15, 2016 and October 21, 2016. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 26, 2011, the warrants had not been

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exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

The 2018 Notes may be converted at any time prior to the close of business on the business day immediately preceding February 15, 2018, at the option of the holder only under the following circumstances: 1) during the five business-day period after any ten consecutive trading-day period (the measurement period) in which the trading price per 1,000 principal amount of 2018 notes for each day of such measurement period was less than 98% of the product of the last reported sale price of the Company s common stock and the applicable conversion rate on each such trading day; 2) during any fiscal quarter commencing after the fiscal quarter ending September 25, 2011, if the last reported sale price of the Company s common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price in effect on the last trading day of the immediately preceding fiscal quarter; or 3) upon the occurrence of specified corporate events. On and after February 15, 2018 until the close of business on the second scheduled trading day immediately preceding the maturity date of May 15, 2018, holders may convert their notes at any time, regardless of the foregoing circumstances.

Upon conversion, a holder will receive the conversion value of the 2018 Notes to be converted equal to the conversion rate multiplied by the volume weighted average price of the Company s common stock during a specified period following the conversion date. The conversion value of each 2018 Notes will be paid in: 1) cash equal to the principal amount of the note, and 2) to the extent the conversion value exceeds the principal amount of the note, common stock (plus cash in lieu of any fractional shares of common stock). The conversion price will be subject to adjustment in some events but will not be adjusted for accrued interest. Upon a fundamental change at any time, as defined, the Company will in some cases increase the conversion rate for a holder who elects to convert its 2018 Notes in connection with such fundamental change. In addition, the holders may require the Company to repurchase for cash all or a portion of their notes upon a designated event at a price equal to 100% of the principal amount of the notes being repurchased plus accrued and unpaid interest, if any.

Concurrently with the issuance of the 2018 Notes, the Company purchased a convertible note hedge and sold warrants. The separate convertible note hedge and warrant transactions are structured to reduce the potential future economic dilution associated with the conversion of the 2018 Notes and to increase the initial conversion price to $76.10 per share. Each of these components is discussed separately below:

Convertible Note Hedge. Counterparties agreed to sell to the Company up to approximately $7.1 million shares of the Company s common stock, which is the number of shares initially issuable upon conversion of the 2018 Notes in full, at a price of $63.02 per share. The convertible note hedge transaction will be settled in net shares and will terminate upon the earlier of the maturity date of the 2018 Notes or the first day none of the 2018 Notes remains outstanding due to conversion or otherwise. Settlement of the convertible note hedge in net shares, based on the number of shares issued upon conversion of the 2018 Notes, on the expiration date would result in the Company receiving net shares equivalent to the number of shares issuable by the Company upon conversion of the 2018 Notes. Should there be an early unwind of the convertible note hedge transaction, the number of net shares potentially received by the Company will depend upon 1) the then existing overall market conditions, 2) the Company s stock price, 3) the volatility of the Company s stock, and 4) the amount of time remaining before expiration of the convertible note hedge. The convertible note hedge transaction cost of $104.9 million has been accounted for as an equity transaction. The Company initially recorded approximately $38.8 million in stockholders equity from the net deferred tax liability related to the convertible note hedge at inception of the transaction.

Sold Warrants. The Company received $76.3 million from the same counterparties from the sale of warrants to purchase up to approximately 7.1 million shares of the Company s common stock at an exercise price of $76.10 per share. As of June 26, 2011, the warrants had an expected life of 6.9 years

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and expire between August 15, 2018 and October 23, 2018. At expiration, the Company may, at its option, elect to settle the warrants on a net share basis. As of June 26, 2011, the warrants had not been exercised and remained outstanding. The value of the warrants was initially recorded in equity and continues to be classified as equity.

Other Long-term Debt

The Company s remaining total long-term debt, excluding convertible notes, of $3.9 million as of June 26, 2011 consists of various bank loans and government subsidized technology loans supporting operating needs.

The Company s contractual cash obligations relating to its convertible notes and other long-term debt June 26, 2011 were as follows:

	Long-term Debt (in thousands)
Payments due by period:	
One year	$ 3,211
Two years	664
Three years	
Four years	
Five years	450,000
Over 5 years	450,000
Total	903,875
Current portion of long-term debt	3,211
Long-term debt	$ 900,664

Note 14: Commitments

The Company has certain obligations to make future payments under various contracts. Consistent with GAAP, some of these are recorded on its balance sheet and some are not. Obligations that are recorded on the Company s balance sheet include the Company s capital lease obligations. The Company s off-balance sheet arrangements include contractual relationships for operating leases, purchase obligations, and certain guarantees. The Company s commitments relating to capital leases off-balance sheet agreements are included in the table below. These amounts exclude $113.6 million of liabilities related to uncertain tax benefits because the Company is unable to reasonably estimate the ultimate amount or time of settlement. See Note 15, of Notes to Consolidated Financial Statements for further discussion.

Capital Leases

Capital leases reflect building lease obligations assumed from the Company s acquisition of SEZ and an office equipment lease.

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The Company s contractual cash obligations relating to its existing capital leases, including interest, as of June 26, 2011 were as follows:

	Capital Leases (in thousands)
Payments due by period:	
One year	$ 1,900
Two years	1,873
Three years	1,593
Four years	1,592
Five years	2,352
Over 5 years	8,931
Total	18,241
Interest on capital leases	1,275
Current portion of capital leases	1,571
Capital leases	$ 15,395

Operating Leases and Related Guarantees

The Company leases most of its administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases. Certain of the Company s facility leases for buildings located at its Fremont, California headquarters and certain other facility leases provide the Company with options to extend the leases for additional periods or to purchase the facilities. Certain of the Company s facility leases provide for periodic rent increases based on the general rate of inflation. The Company s rental expense for facilities occupied during fiscal years 2011, 2010, and 2009 was approximately $ 9 million, $6 million, and $9 million, respectively.

On December 18, 2007, the Company entered into two operating leases regarding certain improved properties in Livermore, California. These leases were amended on April 3, 2008 and July 9, 2008 (as so amended, the Livermore Leases). On December 21, 2007, the Company entered into a series of four amended and restated operating leases (the New Fremont Leases, and collectively with the Livermore Leases, the Operating Leases) with regard to certain improved properties at the Company s headquarters in Fremont, California.

The Operating Leases have a term of approximately seven years ending on the first business day in January 2015. The Company may, at its discretion and with 30 days notice, elect to purchase the property that is the subject of the Operating Lease for an amount approximating the sum required to pay the amount of the lessor s investment in the property and any accrued but unpaid rent.

The Company is required, pursuant to the terms of the Operating Leases, to maintain collateral in an aggregate of approximately $164.9 million in separate interest-bearing accounts as security for the Company s obligations under the Operating Leases. This amount is recorded as restricted cash in the Company s Consolidated Balance Sheet as of as of June 26, 2011.

When the terms of the Operating Leases expire, the property subject to that Operating Lease may be remarketed. The Company has guaranteed to the lessor that each property will have a certain minimum residual value. The aggregate guarantee made by the Company under the Operating Leases is generally no more than approximately $141.7 million; however, under certain default circumstances, the guarantee with regard to an Operating Lease may be 100% of the lessor s aggregate investment in the applicable property, which in no case will exceed $164.9 million, in the aggregate.

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The Company recognized at lease inception $0.6 million in estimated liabilities related to the Operating Leases, which represents the fair value guarantee premium that would be required had the guarantee been issued in a standalone transaction. These liabilities are recorded in other long-term liabilities with the offsetting entry recorded as prepaid rent in other assets. The balances in prepaid rent and the guarantee liability are amortized to the statement of operations on a straight line basis over the life of the leases. If it becomes probable that the Company will be required to make a payment under the residual guarantee, the Company will increase its liability with a corresponding increase to prepaid rent and amortize the increased prepaid rent over the remaining lease term with no corresponding reduction in the liability. As of June 26, 2011, the unamortized portion of the fair value of the residual value guarantees remaining in other long-term liabilities and prepaid rent was $0.3 million.

During fiscal years 2010 and 2011, the Company recognized restructuring charges of $13.0 million and $13.7 million, respectively, related to the reassessment of the residual value guarantee for such lease. Accordingly, an amount of $26.7 million has been recorded in other long-term liabilities.

The Company s contractual cash obligations with respect to operating leases, excluding the residual value guarantees discussed above, as of June 26, 2011 were as follows:

	Operating Leases (in thousands)
Payments due by period:	
One year	$ 11,081
Two years	9,199
Three years	7,039
Four years	4,244
Five years	1,608
Over 5 years	830
Total	$ 34,001

Other Guarantees

The Company has issued certain indemnifications to its lessors for taxes and general liability under some of its agreements. The Company has entered into certain insurance contracts that may limit its exposure to such indemnifications. As of June 26, 2011, the Company had not recorded any liability on its Consolidated Financial Statements in connection with these indemnifications, as it does not believe, based on information available, that it is probable that any amounts will be paid under these guarantees.

Generally, the Company indemnifies, under pre-determined conditions and limitations, its customers for infringement of third-party intellectual property rights by the Company s products or services. The Company seeks to limit its liability for such indemnity to an amount not to exceed the sales price of the products or services subject to its indemnification obligations. The Company does not believe, based on information available, that it is probable that any material amounts will be paid under these guarantees.

Purchase Obligations

Purchase obligations consist of significant contractual obligations either on an annual basis or over multi-year periods related to the Company s outsourcing activities or other material commitments, including vendor-consigned inventories. The Company continues to enter into new agreements and maintain existing agreements to outsource certain activities, including elements of its manufacturing, warehousing, logistics, facilities maintenance, certain information technology functions, and certain transactional general and administrative

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functions. The contractual cash obligations and commitments table presented below contains the Company s obligations at June 26, 2011 under these arrangements and others. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. In addition to these obligations, certain of these agreements include early termination provisions and/or cancellation penalties that could increase or decrease amounts actually paid.

The Company s commitments related to these agreements as of June 26, 2011 are as follows:

	Purchase Obligations (in thousands)
Payments due by period:	
One year	$ 192,766
Two years	42,406
Three years	24,318
Four years	16,712
Five years	13,043
Over 5 years	1,040
Total	$ 290,285

Warranties

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

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

	Year Ended	
	June 26, 2011	June 27, 2010
	(in thousands)	
Balance at beginning of period	$ 31,756	$ 21,185
Warranties issued during the period	51,721	36,875
Settlements made during the period	(39,915)	(18,673)
Expirations and change in liability for pre-existing warranties during the period	(3,299)	(7,301)
Changes in foreign currency exchange rates	688	(330)
Balance at end of period	$ 40,951	$ 31,756

Note 15: Income Taxes

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

	Year Ended		
	June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009
United States	$ 159,250	$ 140,309	$ 26,200
Foreign	641,626	289,832	(289,293)
	$ 800,876	$ 430,141	$ (263,093)

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

	Year Ended		
	June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009
Federal:			
Current	$ 55,119	$ 38,221	$ (6,523)
Deferred	(25,143)	11,438	11,668
	$ 29,976	$ 49,659	$ 5,145
State:			
Current	$ 3,159	$ 6,126	$ (487)
Deferred	26,589	5,009	8,047
	$ 29,748	$ 11,135	$ 7,560
Foreign:			
Current	$ 22,556	$ 22,813	$ 15,017
Deferred	(5,152)	(135)	11,333
	$ 17,404	$ 22,678	$ 26,350
Total Provision for Income Taxes	$ 77,128	$ 83,472	$ 39,055

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

	June 26, 2011	June 27, 2010
	(in thousands)	
Deferred tax assets:		
Tax carryforwards	$ 33,152	$ 50,182
Allowances and reserves	85,751	63,143
Inventory valuation differences	8,861	7,764
Equity-based compensation	8,019	6,202
Capitalized R&D expenses	2,722	5,027
Other	8,743	5,088
Gross deferred tax assets	147,248	137,406
Valuation allowance	(46,201)	(36,957)

Net deferred tax assets	101,047	100,449
Deferred tax liabilities:		
Fixed assets depreciation and intangibles amortization	(23,145)	(20,188)
State cumulative temporary differences	(802)	(10,118)
Amortization of goodwill	(7,768)	(6,026)
Gross deferred tax liabilities	(31,715)	(36,332)
Net deferred tax assets	$ 69,332	$ 64,117

Realization of the Company s net deferred tax assets is based upon the weighting of available evidence, including such factors as the recent earnings history and expected future taxable income. The Company believes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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it is more-likely-than-not that such deferred tax assets will be realized with the exception of $46.2 million related to California and certain foreign deferred tax assets.

The provisions related to the tax accounting for stock-based compensation prohibit the recognition of a deferred tax asset for an excess benefit that has not yet been realized. As a result, the Company will only recognize an excess benefit from stock-based compensation in additional paid-in-capital if an incremental tax benefit is realized after all other tax attributes currently available to us have been utilized. In addition, the Company has elected to account for the indirect benefits of stock-based compensation such as the R&D tax credit through the consolidated statement of operations.

As of June 26, 2011, the Company had a California net operating loss carryforward of approximately $2.3 million. If not utilized, the net operating loss carryforward will begin to expire in the year 2030. In the event the tax benefits are realized, an immaterial amount would be credited to additional paid-in capital.

At June 26, 2011, the Company had federal and state tax credit carryforwards of approximately $145.4 million, of which approximately $30.2 million will expire in varying amounts between fiscal years 2030 and 2032. The remaining balance of $115.1 million of tax carryforwards may be carried forward indefinitely. The tax benefits relating to approximately $36.8 million of the tax credit carryforwards will be credited to additional paid-in-capital when recognized.

At June 26, 2011, the Company had foreign net operating loss carryforwards of approximately $41.6 million, of which approximately $25.4 million may be carried forward indefinitely and $16.2 million will begin to expire in fiscal year 2012.

A reconciliation of income tax expense provided at the federal statutory rate (35% in fiscal years 2011, 2010 and 2009) to actual income expense is as follows:

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Income tax expense computed at federal statutory rate	$ 280,306	$ 150,549	$ (92,083)
State income taxes, net of federal tax benefit	9,322	4,754	(4,550)
Foreign income taxed at different rates	(217,982)	(84,081)	125,124
Tax credits	(16,503)	(4,410)	(9,273)
State valuation allowance, net of federal tax benefit	10,078	4,627	12,109
Equity-based compensation	12,244	11,847	10,985
Other, net	(337)	186	(3,257)
	$ 77,128	$ 83,472	$ 39,055

The Company s effective tax rate on income before tax for the year was 9.6% which was lower than the United States federal statutory rate of 35% due to geographical mix of income between higher and lower foreign tax jurisdictions, favorable recognition of the U.S. federal research tax credit, and tax benefits related to the recognition of previously unrecognized tax benefits due to the settlement of audits and statute of limitations expiration.

Effective from fiscal year 2003 through June 2013, the Company has a tax holiday in Switzerland for one of its foreign subsidiaries, which is conditional upon the Company meeting certain employment and investment thresholds. The impact of the tax holiday decreased income taxes by approximately $119.5 million, $45.9 million, and $0 million for fiscal years 2011, 2010, and 2009, respectively. The benefit of the tax holiday on diluted earnings per share was approximately $0.96 in fiscal year 2011, $0.36 in fiscal year 2010, and $0.00 in fiscal year 2009.

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Unremitted earnings of the Company s foreign subsidiaries included in consolidated retained earnings aggregated to approximately $1.54 billion at June 26, 2011. These earnings, which reflect full provisions for foreign income taxes, are indefinitely reinvested in foreign operations. If these earnings were remitted to the United States, they would be subject to U.S. and foreign withholding taxes of approximately $387.3 million at current statutory rates. The Company s federal income tax provision includes U.S. income taxes on certain foreign-based income.

As of June 26, 2011, the total gross unrecognized tax benefits were $181.5 million compared to $190.5 million as of June 27, 2010, and $178.4 million as of June 28, 2009. During fiscal year 2011, gross unrecognized tax benefits decreased by approximately $9.0 million. The amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate was $120.4 million, $153.8 million, and $125.5 million as of June 26, 2011, June 27, 2010, and June 28, 2009, respectively. The aggregate changes in the balance of gross unrecognized tax benefits were as follows:

	(in millions)
Balance as of June 29, 2008	**$ 143.8**
Settlements and effective settlements with tax authorities	
Lapse of statute of limitations	(0.7)
Increases in balances related to tax positions taken during prior periods	13.9
Decreases in balances related to tax positions taken during prior periods	(2.5)
Increases in balances related to tax positions taken during current period	23.9
Balance as of June 28, 2009	**$ 178.4**
Settlements and effective settlements with tax authorities	(1.3)
Lapse of statute of limitations	(8.1)
Increases in balances related to tax positions taken during prior periods	5.5
Decreases in balances related to tax positions taken during prior periods	(2.0)
Increases in balances related to tax positions taken during current period	18.0
Balance as of June 27, 2010	**190.5**
Settlements and effective settlements with tax authorities	(24.2)
Lapse of statute of limitations	(5.2)
Increases in balances related to tax positions taken during prior periods	13.7
Decreases in balances related to tax positions taken during prior periods	(13.4)
Increases in balances related to tax positions taken during current period	20.1
Balance as of June 26, 2011	**$ 181.5**

The Company recognizes interest expense and penalties related to the above unrecognized tax benefits within income tax expense. The Company had accrued $16.9 million, $18.5 million, and $19.1 million, cumulatively, for gross interest and penalties as of June 26, 2011, June 27, 2010 and June 28, 2009, respectively.

The Company completed a number of income tax audits in the U.S. and other foreign jurisdictions in fiscal year 2011. As a result of the settlement of these audits, the Company reduced its unrecognized tax benefits by approximately $24.2 million in fiscal year 2011.

The Internal Revenue Service (IRS) is examining the Company s U.S. income tax return for fiscal year 2008 and 2009. The Company is also under audit by the California Franchise Tax Board (FTB) for fiscal years 2005 and 2006. As of June 26, 2011, no significant adjustments have been proposed by the IRS or FTB. The Company is unable to make a reasonable estimate as to when cash settlements, if any, with the relevant taxing authorities will occur. In addition, the Company is also subject to audits by foreign tax authorities.

The Company files U.S. federal, U.S. state, and foreign income tax returns. As of June 26, 2011, tax years 2003-2010 remain subject to examination in the jurisdictions where the Company operates.

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

Note 16: Goodwill and Intangible Assets

Goodwill

There were no changes in goodwill or accumulated impairment during the twelve months ended June 26, 2011 or June 27, 2010. As of both June 26, 2011 and June 27, 2010 gross goodwill and accumulated impairment losses were $265.5 million and $96.3 million, respectively.

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

The calculation of the goodwill impairment charge was based on estimates of future operating results. If the Company s future operating results do not meet current forecasts or if the Company experiences a sustained decline in its market capitalization that is determined to be indicative of a reduction in fair value of the Company s Clean Product Group, an additional impairment analysis may be required which may result in additional impairment charges.

Goodwill, net attributable to the SEZ acquisition of approximately $104 million is not tax deductible due to foreign jurisdiction law. The remaining goodwill balance of approximately $65 million is tax deductible.

Intangible Assets

The following table provides details of the Company s intangible assets as of June 26, 2011 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)
Customer relationships	$ 35,226	$ (23,468)	$ 11,758	6.90
Existing technology	61,941	(35,409)	26,532	6.68
Patents	20,670	(14,323)	6,347	6.11
Other intangible assets	35,216	(32,419)	2,797	4.10
	$ 153,053	$ (105,619)	$ 47,434	6.06

The following table provides details of the Company s intangible assets as of June 27, 2010 (in thousands, except years):

	Gross	Accumulated Amortization	Net	Weighted-Average Useful Life (years)

Customer relationships	$ 35,226	$ (18,512)	$ 16,714	6.90
Existing technology	61,598	(27,084)	34,514	6.70
Patents	20,270	(11,207)	9,063	6.13
Other intangible assets	35,216	(27,783)	7,433	4.10
	$ 152,310	$ (84,586)	$ 67,724	6.07

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The Company recognized $21.0 million, $23.9 million, and $24.0 million, in intangible asset amortization expense during fiscal years 2011, 2010, and 2009, respectively.

The estimated future amortization expense of intangible assets as of June 26, 2011 was as follows (in thousands):

Fiscal Year	Amount
2012	$ 17,997
2013	16,350
2014	10,377
2015	2,154
2016	381
Thereafter	175
	$ 47,434

Note 17: Segment, Geographic Information and Major Customers

The Company operates in one reportable business segment: manufacturing and servicing of front-end wafer processing semiconductor manufacturing equipment. The Company s material operating segments qualify for aggregation due to their customer base and similarities in economic characteristics, nature of products and services, and processes for procurement, manufacturing and distribution.

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

Revenues and long-lived assets by geographic region were as follows:

	Year Ended		
	June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009
Revenue:			
North America	$ 393,004	$ 186,036	$ 171,359
Europe	423,148	133,685	121,178
Japan	405,371	318,641	234,070
Korea	756,660	539,312	239,911
Taiwan	766,910	703,854	208,053
Asia Pacific	492,600	252,248	141,375
Total revenue	$ 3,237,693	$ 2,133,776	$ 1,115,946

June 26, 2011	June 27, 2010 (in thousands)	June 28, 2009

Long-lived assets:			
North America	$ 278,316	$ 178,055	$ 183,372
Europe	90,063	77,839	90,608
Japan	1,877	1,377	1,776
Korea	14,050	12,379	11,478
Taiwan	4,170	2,627	2,687
Asia Pacific	4,368	4,335	4,077
Total long-lived assets	$ 392,844	$ 276,612	$ 293,998

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In fiscal year 2011, revenues from Samsung Electronics Company, Ltd. accounted for approximately 24% of total revenues. In fiscal year 2010, revenues from Samsung Electronics Company, Ltd., Taiwan Semiconductor Manufacturing Company, Ltd., and Toshiba Corporation accounted for approximately 24%, 15%, and 11%, respectively, of total revenues. In fiscal year 2009, revenues from Samsung Electronics Company, Ltd. and Toshiba Corporation accounted for approximately 19% and 11%, respectively, of total revenues.

Note 18: Restructuring and Asset Impairments

Prior to the end of each of the June 2008, December 2008, and March 2009 quarters, the Company initiated the announced restructuring activities and management, with the proper level of authority, approved specific actions under the June 2008, December 2008, and March 2009 Plans (as defined below in this Note 18). Severance packages to affected employees were communicated in enough detail such that the employees could determine their type and amount of benefit. The termination of the affected employees occurred as soon as practical after the restructuring plans were announced. The amount of remaining future lease payments and certain contractual obligations for facilities the Company ceased to use and included in the restructuring charges is based on management s estimates using known prevailing real estate market conditions at that time based, in part, on the opinions of independent real estate experts. Leasehold improvements relating to the vacated buildings were written off, as it was determined that these items would have no future economic benefit to the Company and have been abandoned.

Accounting for restructuring activities, as compared to regular operating cost management activities, requires an evaluation of formally committed and approved plans. Restructuring activities have comparatively greater strategic significance and materiality and may involve exit activities, whereas regular cost containment activities are more tactical in nature and are rarely characterized by formal and integrated action plans or exiting a particular product, facility, or service.

The following table summarizes restructuring and asset impairment charges (recoveries) during fiscal years 2011, 2010, and 2009 for each restructuring Plan:

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
June 2008 Plan	$	$ (2,217)	$ 19,016
December 2008 Plan	(230)	92	17,849
March 2009 Plan	11,809	20,891	28,641
Total restructuring and asset impairment charges incurred under restructuring plans	11,579	18,766	65,506
Asset impairments outside of specific restructuring plans		5,986	
Total restructuring and assset impairment charges	$ 11,579	$ 24,752	$ 65,506

The amounts in the table above were reported in the Company s consolidated statement of operations for fiscal years ended 2011, 2010, and 2009 as follows:

		Year Ended	
	June 26, 2011	June 27, 2010	June 28, 2009

		(in thousands)	
Cost of goods sold	$	$ 3,438	$ 20,993
Operating expense	11,579	21,314	44,513
Total restructuring and assset impairments	$ 11,579	$ 24,752	$ 65,506

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

June 2008 Plan

During the June 2008 quarter, the Company incurred restructuring expenses and asset impairment charges related to the integration of SEZ and overall streamlining of the Company s combined Clean Product Group (June 2008 Plan). There were no restructuring and asset impairment charges under the June 2008 Plan during fiscal year 2011. Charges during fiscal years 2010 and 2009 were as follows:

	Year Ended June 27, 2010	June 28, 2009
	(in thousands)	
Severance and benefits	$ (42)	$ 12,554
Facilities		
Abandoned assets		3,395
Inventory	(2,175)	3,067
Total restructuring and asset impairment charges	$ (2,217)	$ 19,016

Below is a table summarizing activity relating to the June 2008 Plan. There was no additional activity under this plan during fiscal year 2011 as all liabilities were paid in prior years.

	Severance and Benefits	Facilities	Abandoned Assets (in thousands)	Inventory	Total
Balance at June 29, 2008	4,586	899			5,485
Fiscal year 2009 expense	12,554		3,395	3,067	19,016
Cash payments	(13,155)	(873)			(14,028)
Non-cash charges	(3,418)		(3,395)	(3,067)	(9,880)
Balance at June 28, 2009	567	26			593
Fiscal year 2010 expense	(42)			(2,175)	(2,217)
Cash payments	(525)	(26)			(551)
Non-cash charges				2,175	2,175
Balance at June 27, 2010	$	$	$	$	$

Total charges incurred as of June 26, 2011 under the June 2008 Plan were $35.8 million.

December 2008 Plan

During the December 2008 quarter, the Company incurred restructuring expenses and asset impairment charges designed to better align the Company s cost structure with its business opportunities in consideration of market and economic uncertainties (December 2008 Plan). Charges during fiscal years 2011, 2010 and 2009 were as follows:

	Year Ended June 26, 2011	June 27, 2010	June 28, 2009
	(in thousands)		
Severance and benefits	$ (230)	$ 92	$ 16,412
Facilities			618
Inventory			819
Total restructuring and asset impairment charges	$ (230)	$ 92	$ 17,849

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

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

	Severance and Benefits	Facilities	Inventory	Total
		(in thousands)		
Fiscal year 2009 expense	$ 16,412	$ 618	$ 819	$ 17,849
Cash payments	(15,728)			(15,728)
Non-cash charges		(618)	(819)	(1,437)
Balance at June 28, 2009	684			684
Fiscal year 2010 expense	92			92
Cash payments	(497)			(497)
Balance at June 27, 2010	279			279
Cash payments	(27)			(27)
Fiscal year 2011 expense	(230)			(230)
Balance at June 26, 2011	$ 22	$	$	$ 22

Total charges incurred as of June 26, 2011 under the December 2008 Plan were $17.7 million. The severance and benefits-related balances are anticipated to be paid by the end of fiscal year 2012.

March 2009 Plan

During the March 2009 quarter, the Company incurred restructuring expenses and asset impairment charges designed to align the Company s cost structure with its outlook for the current economic environment and future business opportunities (March 2009 Plan). Restructuring and asset impairment charges during fiscal years 2011, 2010 and 2009 under the March 2009 Plan were as follows:

	Year Ended		
	June 26, 2011	June 27, 2010	June 28, 2009
		(in thousands)	
Severance and benefits	$ (43)	$ 472	$ 23,038
Facilities	11,852	19,832	2,265
Abandoned assets		587	3,008
Inventory			330
Total restructuring and asset impairment charges	$ 11,809	$ 20,891	$ 28,641

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Below is a table summarizing activity relating to the March 2009 Plan:

	Severance and Benefits	Facilities	Abandoned Assets (in thousands)	Inventory	Total
Fiscal year 2009 expense	$ 23,038	$ 2,265	$ 3,008	$ 330	$ 28,641
Cash payments	(18,647)	(1,828)			(20,475)
Non-cash charges	(466)		(3,008)	(330)	(3,804)
Balance at June 28, 2009	3,925	437			4,362
Fiscal year 2010 expense	472	19,832	587		20,891
Cash payments	(4,132)	(3,417)			(7,549)
Non-cash charges			(587)		(587)
Balance at June 27, 2010	265	16,852			17,117
Fiscal year 2011 expense	(43)	11,852			11,809
Cash payments	(222)	(598)			(820)
Balance at June 26, 2011	$	$ 28,106	$	$	$ 28,106

Total charges incurred as of June 26, 2011 under the March 2009 Plan were $61.3 million. The facilities balance consists primarily of lease payments, net of sublease income, on vacated buildings and is expected to be paid by the end of fiscal year 2015.

Note 19: Stock Repurchase Program

On September 8, 2008, the Board of Directors authorized the repurchase of up to $250 million of Company common stock from the public market or in private purchases. This repurchase program had no termination date, could have been suspended or discontinued at any time and was funded using the Company s available cash. The Company temporarily suspended repurchases under the program during the December 2008 quarter. On February 2, 2010, the Board of Directors authorized the resumption of the repurchase program. The Company completed the repurchase of all amounts available under this share repurchase authorization during the quarter ended September 26, 2010.

On September 10, 2010, the Board of Directors authorized the repurchase of up to an additional $250 million of Company common stock using the Company s available cash. These repurchases can be conducted on the open market or as private purchases and may include the use of derivative contracts with large financial institutions. This repurchase program has no termination date and may be suspended or discontinued at any time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

JUNE 26, 2011

Repurchases under the repurchase program were as follows during the periods indicated:

Period	Total Number of Shares Repurchased	Total Cost of Repurchase	Average Price Paid Per Share	Amount Available Under Repurchase Program
		(in thousands, except per share data)		
Available balance as of June 27, 2010				$ 130,693
Authorization of up to $250 million September 2010				$ 380,693
Quarter ended September 26, 2010	3,389	$ 130,693	$ 38.56	$ 250,000
Quarter ended December 26, 2010		$	$	$ 250,000
Quarter ended March 27, 2011		$	$	$ 250,000
Quarter ended June 26, 2011	18	$ 756	$ 42.00	$ 249,244

In addition to shares repurchased under Board authorized repurchase programs shown above are (i) 1,000,000 shares repurchased at a total cost of $47.6 million in connection with the convertible note offering and authorized by the Board independent of the publicly announced plans and (ii) 383,000 shares acquired at a total cost of $18.9 million which the Company withheld through net share settlements to cover tax withholding obligations upon the vesting of restricted stock unit awards granted under the Company s equity compensation plans and. The shares retained by the Company through these net share settlements are not a part of the Board-authorized repurchase program but instead are authorized under the Company s equity compensation plans.

As part of its share repurchase program, the Company may from time-to-time enter into structured share repurchase arrangements with financial institutions using general corporate funds. These arrangements generally require the Company to make an up-front cash payment in exchange for the right to receive shares of its common stock or cash at the expiration of the agreement, dependent upon the closing price of the Corporation s common stock at the settlement date. During 2011 the Company entered into structured share repurchase arrangements which, in the aggregate, required up-front cash payments totaling $200 million. One of these arrangements, which required the Company to make an upfront cash payment of $50.0 million, settled during 2011 and based on the closing price of the Company s common stock on the maturity date, resulted in the Company receiving a $50.4 million cash payment, and therefore did not result in the repurchase of any shares of its common stock. As of June 26, 2011, aggregate prepayments of $150 million were outstanding under two such arrangements. These arrangements settle in October 2011 and will result in the receipt of either 1.4 million shares of the Company s common stock or $51.0 million for the first arrangement and 2.6 million shares of the Company s common stock or $103.5 million for the second arrangement. Under these arrangements, any prepayments or cash payments at settlement, are recorded as a component of additional paid in capital in the Company s Consolidated Balance Sheet as of June 26, 2011.

Note 20: Legal Proceedings

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited the accompanying consolidated balance sheets of Lam Research Corporation as of June 26, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended June 26, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lam Research Corporation at June 26, 2011 and June 27, 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 26, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Lam Research Corporation s internal control over financial reporting as of June 26, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 19, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

San Jose, California

August 19, 2011

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Lam Research Corporation

We have audited Lam Research Corporation s internal control over financial reporting as of June 26, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Lam Research Corporation s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Lam Research Corporation maintained, in all material respects, effective internal control over financial reporting as of June 26, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lam Research Corporation as of June 26, 2011 and June 27, 2010, and the related consolidated statements of operations, stockholders equity and cash flows for each of the three years in the period ended June 26, 2011 of Lam Research Corporation and our report dated August 19, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Jose, California

August 19, 2011

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SIGNATURES

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

LAM RESEARCH CORPORATION

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

Dated: August 19, 2011

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POWER OF ATTORNEY AND SIGNATURES

By signing this Annual Report on Form 10-K below, I hereby appoint each of Stephen G. Newberry and Ernest E. Maddock, jointly and severally, as my attorney-in-fact to sign all amendments to this Form 10-K on my behalf, and to file this Form 10-K (including all exhibits and other related documents) with the Securities and Exchange Commission. I authorize each of my attorneys-in-fact to (1) appoint a substitute attorney-in-fact for himself and (2) perform any actions that he believes are necessary or appropriate to carry out the intention and purpose of this Power of Attorney. I ratify and confirm all lawful actions taken directly or indirectly by my attorneys-in-fact and by any properly appointed substitute attorneys-in-fact.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
Principal Executive Officer		
/s/ Stephen G. Newberry		
Stephen G. Newberry	Chief Executive Officer and Vice Chairman	August 19, 2011
Principal Financial Officer and Principal Accounting Officer		
/s/ Ernest E. Maddock		
Ernest E. Maddock	Senior Vice President, Chief Financial Officer, and Chief Accounting Officer	August 19, 2011
Other Directors		
/s/ James W. Bagley		
James W. Bagley	Executive Chairman	August 19, 2011
/s/ David G. Arscott	Director	August 19, 2011
David G. Arscott		
/s/ Robert M. Berdahl	Director	August 19, 2011
Robert M. Berdahl		
/s/ Eric K. Brandt	Director	August 19, 2011
Eric K. Brandt		
/s/ Michael R. Cannon	Director	August 19, 2011
Michael R. Cannon		
/s/ Christine Heckart	Director	August 19, 2011

Christine Heckart		
/s/ Grant M. Inman	Director	August 19, 2011
Grant M. Inman		
/s/ Catherine P. Lego	Director	August 19, 2011
Catherine P. Lego		
/s/ Kim Perdikou	Director	August 19, 2011
Kim Perdikou		
/s/ Abhi Talwalkar	Director	August 19, 2011
Abhi Talwalkar		

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LAM RESEARCH CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions (Describe) (1)	Balance at End of Period
		(in thousands)		
YEAR ENDED JUNE 26, 2011				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 10,609,000	$ 290,000	$ (6,179,000)	$ 4,720,000
YEAR ENDED JUNE 27, 2010				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 10,719,000	$ 45,000	$ (155,000)	$ 10,609,000
YEAR ENDED JUNE 28, 2009				
Deducted from asset accounts:				
Allowance for doubtful accounts	$ 4,102,000	$ 6,794,000	$ (177,000)	$ 10,719,000

(1) During fiscal year 2011, deductions represent $3.8 million release of reserve and $2.4 million write-off of customer specific accounts. During each of fiscal years 2010 and 2009 deductions represent $0.2 million of write-offs of specific customer accounts.

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LAM RESEARCH CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED JUNE 26, 2011

EXHIBIT INDEX

Exhibit	Description
3.1(4)	Certificate of Incorporation of the Registrant, dated September 7, 1989; as amended by the Agreement and Plan of Merger, Dated February 28, 1990; the Certificate of Amendment dated October 28, 1993; the Certificate of Ownership and Merger dated December 15, 1994; the Certificate of Ownership and Merger dated June 25, 1999 and the Certificate of Amendment effective as of March 7, 2000; and the Certificate of Amendment effective as of November 5, 2009.
3.2(18)	Bylaws of the Registrant, as amended, dated May 18, 2011.
3.3(4)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock dated January 27, 1997.
4.1(21)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2016 Notes
4.2(21)	Indenture (including Form of Notes), dated as of May 11, 2011, by and between Lam Research Corporation, and The Bank of New York Mellon Trust Company, N.A, as trustee, with respect to the 2018 Notes
4.4(2)*	Amended 1991 Stock Option Plan and Forms of Stock Option Agreements.
4.8(7)*	Amended and restated 1997 Stock Incentive Plan.
4.11(3)*	Amended and restated 1996 Performance-Based Restricted Stock Plan.
4.12(6)*	Amended and restated 1999 Stock Option Plan.
4.13(22)*	Lam Research Corporation 1999 Employee Stock Purchase Plan, as amended.
4.14(22)*	Lam Research Corporation 2004 Executive Incentive Plan, as amended.
4.15(9)*	Lam Research Corporation 2007 Stock Incentive Plan, as amended.
4.16*	Lam Research Corporation Elective Deferred Compensation Plan.
4.17*	Lam Research Corporation Elective Deferred Compensation Plan II.
10.3(1)*	Form of Indemnification Agreement.
10.99(5)*	Form of Nonstatutory Stock Option Agreement Lam Research Corporation 1997 Stock Incentive Plan.
10.102(8)	Form of Restricted Stock Unit Award Agreement (U.S. Agreement A) Lam Research Corporation 1997 Stock Incentive Plan.
10.103(8)	Form of Restricted Stock Unit Award Agreement (non-U.S. Agreement I-A) Lam Research Corporation 1997 Stock Incentive Plan.
10.106(10)*	Form of Restricted Stock Unit Award Agreement (U.S. Agreement) Lam Research Corporation 2007 Stock Incentive Plan
10.107(11)	Form of Restricted Stock Unit Award Agreement Outside Directors (U.S. Agreement) Lam Research Corporation 2007 Stock Incentive Plan.
10.108(11)	Form of Restricted Stock Unit Award Agreement Outside Directors (non-U.S. Agreement) Lam Research Corporation 2007 Stock Incentive Plan.

10.111(12)	Credit Agreement dated as of March 3, 2008 among Lam Research Corporation, as the Borrower, ABN Amro Bank N.V., as Administrative Agent, and the other Lenders Party thereto.

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Exhibit	Description
10.112(12)	Unconditional Guaranty dated as of March 3, 2008 by Bullen Semiconductor Corporation to ABN AMRO Bank N.V.
10.113(12)	Security Agreement dated as of March 3, 2008 between Lam Research Corporation and ABN AMRO Bank N.V.
10.114(12)	Security Agreement dated as of March 3, 2008 between Bullen Semiconductor Corporation and ABN AMRO Bank N.V.
10.115(12)	Pledge Agreement dated as of March 3, 2008 among Lam Research Corporation and ABN AMRO Bank N.V.
10.117(13)	Lease Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.118(13)	Pledge Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.119(13)	Closing Certificate and Agreement (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.120(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #1) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.121(13)	Lease Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.122(13)	Pledge Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.123(13)	Closing Certificate and Agreement (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.124(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #2) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.125(13)	Lease Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.126(13)	Pledge Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.127(13)	Closing Certificate and Agreement (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.128(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #3) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.129(13)	Lease Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.130(13)	Pledge Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.131(13)	Closing Certificate and Agreement (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.132(13)	Agreement Regarding Purchase and Remarketing Options (Fremont Building #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 21, 2007.
10.133(13)	Lease Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.

Exhibit	Description
10.134(13)	Pledge Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.135(13)	Closing Certificate and Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.136(13)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.137(13)	Construction Agreement (Livermore/Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.138(13)	Lease Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.139(13)	Pledge Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.140(13)	Closing Certificate and Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.141(13)	Agreement Regarding Purchase and Remarketing Options (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.142(13)	Construction Agreement (Livermore/Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated December 18, 2007.
10.143(14)	First Modification Agreement (Fremont Buildings #1, #2, #3, #4) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.144(14)	First Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated April 3, 2008.
10.145(14)	Second Modification Agreement (Livermore Parcel 6) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.146(14)	First Modification Agreement (Livermore Parcel 7) between Lam Research Corporation and BNP Paribas Leasing Corporation, dated July 9, 2008.
10.147(15)	First Amendment to Credit Agreement between Lam Research Corporation, ABN AMRO B.V. and the Lenders party thereto, dated September 29, 2008.
10.148(16)*	Form of Indemnification Agreement.
10.149(16)*	Reformation of Stock Option Agreement.
10.150(17)*	Stock Option Amendment and Special Bonus Agreement.
10.151(19)*	Employment Agreement with Stephen G. Newberry, dated July 1, 2009.
10.152(19)*	Employment Agreement with Martin B. Anstice, dated July 1, 2009.
10.153(19)*	Form of Change in Control Agreement.
10.154(19)*	Employment Agreement with Ernest Maddock, dated July 1, 2009.
10.155(20)*	Amended and Restated Employment Agreement between James W. Bagley and Lam Research Corporation, dated November 5, 2010.
10.156(20)*	Amendment to Employment Agreement with Stephen G. Newberry, dated December 7, 2010.
10.157(20)*	Amendment to Employment Agreement with Martin B. Anstice, dated December 7, 2010.
21	Subsidiaries of the Registrant.

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Exhibit	Description
23.1	Consent of Independent Registered Public Accounting Firm.
24	Power of Attorney (See Signature page)
31.1	Rule 13a 14(a) / 15d 14(a) Certification (Principal Executive Officer)
31.2	Rule 13a 14(a) / 15d 14(a) Certification (Principal Financial Officer)
32.1	Section 1350 Certification (Principal Executive Officer)
32.2	Section 1350 Certification (Principal Financial Officer)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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

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

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

(4) Incorporated by reference to Registrant s Amendment No. 2 to its Annual Report on Form 10K/A for the fiscal year ended June 25, 2000, and Registrant s Current Report on Form 8-K dated November 5, 2009.

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

(6) Incorporated by reference to Registrant s Registration Statement on Form S-8 (No. 33-127936) filed with the Securities and Exchange Commission on August 28, 2005.

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

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

(9) Incorporated by reference to Registrant s Registration Statement of Form S-8 (No. 333-138545) filed with the Securities and Exchange Commission on November 9, 2006.

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

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

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

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

(14) Incorporated by reference to Registrant s Annual Report on Form 10-K for the fiscal year ended June 28, 2009.

(15) Incorporated by reference to Registrant s Quarterly Report on Form 10-Q for the quarter ended September 28, 2008.

(16) Incorporated by reference to Registrant s Current Report on Form 8-K dated November 13, 2008.

(17) Incorporated by reference to Registrant s Current Report on Form 8-K dated May 8, 2008.

(18) Incorporated by reference to Registrant s Current Report on Form 8-K dated May 18, 2011.

(19) Incorporated by reference to Registrant s Current Report on Form 8-K dated July 31, 2009

(20) Incorporated by reference to Registrant s Quarterly Report on Form 10-Q for the quarter ended December 26, 2010.

(21) Incorporated by reference to Registrant s Current Report on Form 8-K dated May 11, 2011

(22) Incorporated by reference to Registrant s Annual Report on Form 10-K for the fiscal year ended June 27, 2010.

* Indicates management contract or compensatory plan or arrangement in which executive officers of the Company are eligible to participate.