

LAM RESEARCH CORP  
Form DEF 14A  
September 28, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**SCHEDULE 14A**  
**(Rule 14a-101)**  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
**Proxy Statement Pursuant to Section 14(a) of**  
**the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**LAM RESEARCH CORPORATION**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
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September 28, 2017

Dear Lam Research Stockholders,

We cordially invite you to attend, in person or by proxy, the Lam Research Corporation 2017 Annual Meeting of Stockholders. The annual meeting will be held on Wednesday, November 8, 2017, at 9:30 a.m. Pacific Standard Time in the Building CA1 Auditorium at the principal executive offices of Lam Research Corporation, which is located at 4650 Cushing Parkway, Fremont, California 94538.

At this year's annual meeting, stockholders will be asked to elect the ten nominees named in the attached proxy statement as directors to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified; to cast an advisory vote to approve our named executive officer compensation, or Say on Pay; to cast an advisory vote to approve the frequency of holding future stockholder advisory votes on our named executive officer compensation, or Say on Frequency; to ratify the appointment of the independent registered public accounting firm for fiscal year 2018; and to consider, if properly presented at the annual meeting, a stockholder proposal described in the accompanying proxy statement. The board of directors recommends that you vote in favor of each director nominee, Say on Pay, annual Say on Frequency, and the ratification of the appointment of the independent registered public accounting firm; and that you vote against the stockholder proposal, if properly presented at the annual meeting. Management will not provide a business update during this meeting; please refer to our latest quarterly earnings report for our current outlook.

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

Sincerely yours,

Lam Research Corporation

Stephen G. Newberry

*Chairman of the Board*

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Notice of 2017 Annual Meeting  
of Stockholders

4650 Cushing Parkway

Fremont, California 94538

Telephone: 510-572-0200

**Date and Time**      Wednesday, November 8, 2017  
9:30 a.m. Pacific Standard Time

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

**Items of Business**

1. Election of ten directors to serve until the next annual meeting of stockholders, and until their respective successors are elected and qualified
2. Advisory vote to approve our named executive officer compensation, or    Say on Pay
3. Advisory vote to approve the frequency of holding future stockholder advisory votes on our named executive officer compensation, or    Say on Frequency
4. Ratification of the appointment of independent registered public accounting firm for fiscal year 2018
5. Stockholder proposal, if properly presented at the annual meeting
6. Transact such other business that may properly come before the annual meeting (including any adjournment or postponement thereof)

**Record Date**

Only stockholders of record at the close of business on September 11, 2017, the    Record Date,    are entitled to notice of and to vote at the annual meeting.

**Voting**

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

**Internet Availability of Proxy Materials**

Our Notice of 2017 Annual Meeting of Stockholders, Proxy Statement, and Annual Report to Stockholders are available on the Lam Research website at <http://investor.lamresearch.com> and at [www.proxyvote.com](http://www.proxyvote.com).

By Order of the Board of Directors

Sarah A. O Dowd

*Secretary*

**This proxy statement is first being made available and/or mailed to our stockholders on or about September 28, 2017.**

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LAM RESEARCH CORPORATION

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## Proxy Statement Summary

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

We use the terms Lam Research, Lam, the Company, we, our, and us in this proxy statement to refer to Lam Corporation, a Delaware corporation. We also use the term Board to refer to the Company's Board of Directors.

**Figure 1. Proposals and Voting Recommendations**

		Board Vote
Voting Matters		Recommendation
Proposal 1	Election of Ten Nominees Named Herein as Directors	FOR each nominee
Proposal 2	Advisory Vote to Approve Our Named Executive Officer Compensation, or Say on Pay	FOR
Proposal 3	Advisory Vote to Approve the Frequency of Holding Future Advisory Votes on Our Named Executive Officer Compensation, or Say on Frequency	ONE YEAR
Proposal 4	Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2018	FOR
Proposal 5	Stockholder Proposal, If Properly Presented at the Annual Meeting, Regarding Annual Disclosure of EEO-1 Data	AGAINST

**Figure 2. Summary Information Regarding Director Nominees**

You are being asked to vote on the election of the ten director nominees listed in the table below. The following table provides summary information about each director nominee as of September 11, 2017, and their biographical information is contained in the *Voting Proposals* *Proposal No. 1: Election of Directors* *2017 Nominees for Director* section below.

Name	Age	Since	Director Independent <sup>(1)</sup>	Committee Membership			Other Current Public Boards
				AC	CC	NGC	
Martin B. Anstice	50	2012	No	*			
Eric K. Brandt	55	2010	Yes	C/FE			Altaba (formerly Yahoo!),
Michael R. Cannon	64	2011	Yes	M/FE			Dentsply Sirona Seagate Technology,



							Dialog Semiconductor
Youssef A. El-Mansy	72	2012	Yes		M		
Christine A. Heckart	51	2011	Yes		M		
Young Bum (YB) Koh	59	2017	Yes				
Catherine P. Lego	60	2006	Yes	*	C	M	Cypress Semiconductor,
							IPG Photonics
Stephen G. Newberry	63	2005	No	*			Splunk
Abhijit Y. Talwalkar	53	2011	Yes	*	M	C	Advanced Micro Devices,
(Lead Independent Director)							TE Connectivity,
							iRhythm Technologies
Lih Shyng (Rick L.) Tsai	66	2016	Yes				MediaTek,
							USI Corporation

(1) Independence determined based on Nasdaq rules.

**AC** Audit committee

**CC** Compensation committee

**NGC** Nominating and governance committee

**C** Chairperson

**M** Member

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

\* Qualifies as an audit committee financial expert (as determined based on SEC rules)

*Continues on next page* <sup>u</sup>

**Table of Contents****Figure 3. Corporate Governance Highlights**

<b>Board and Other Governance Information</b>	<b>As of September 11, 2017</b>
Size of Board as Nominated	10
Average Age of Director Nominees	59.3
Average Tenure of Director Nominees	6.27
Number of Independent Nominated Directors	8
Number of Nominated Directors Who Attended <sup>3</sup> 75% of Meetings	9 <sup>(1)</sup>
Number of Nominated Directors on More Than Four Public Company Boards	0
Number of Nominated Non-Employee Directors Who Are Sitting Executives on More Than Three Public Company Boards	0
Directors Subject to Stock Ownership Guidelines	Yes
Annual Election of Directors	Yes
Voting Standard	Majority
Plurality Voting Carveout for Contested Elections	Yes
Separate Chairman and Chief Executive Officer ( CEO )	Yes
Lead Independent Director	Yes
Independent Directors Meet Without Management Present	Yes
Annual Board (Including Individual Director) and Committee Self-Evaluations	Yes
Annual Independent Director Evaluation of CEO	Yes
Risk Oversight by Full Board and Committees	Yes
Commitment to Board Refreshment and Diversity	Yes
Robust Director Nomination Process	Yes
Significant Board Engagement	Yes
Board Orientation/Education Program	Yes
Code of Ethics Applicable to Directors	Yes
Stockholder Proxy Access	Yes
Stockholder Ability to Act by Written Consent	Yes
Poison Pill	No
Publication of Corporate Social Responsibility Report on Our Website	Yes

<sup>(1)</sup> For additional information regarding meeting attendance, see *Governance Matters* *Corporate Governance Meeting Attendance*.

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### Figure 4. Executive Compensation Highlights

#### What We Do

**Pay for Performance** (Pages 15-18, 21-27) Our executive compensation program is designed to pay for performance with 100% of the annual incentive program tied to company financial, strategic, and operational performance metrics; 50% of the long-term incentive program tied to relative total shareholder return, or TSR, performance; and 50% of the long-term incentive program awarded in stock options and service-based restricted stock units, or RSUs.

**Three-Year Performance Period for Our 2017 Long-Term Incentive Program** (Pages 24-27) Our current long-term incentive program is designed to pay for performance over a period of three years.

**Absolute and Relative Performance Metrics** (Pages 21-27) Our annual and long-term incentive programs for executive officers include the use of absolute and relative performance factors.

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

**Different Performance Metrics for Annual and Long-Term Incentive Programs** (Pages 21-27) Our annual and long-term incentive programs use different performance metrics.

**Capped Amounts** (Pages 21-27) Amounts that can be earned under the annual and long-term incentive programs are capped.

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

**Prohibit Option Repricing** Our stock incentive plans prohibit option repricing without stockholder approval.

**Hedging and Pledging Policy** (Page 7) We have a policy applicable to our executive officers and directors that prohibits pledging and hedging.

**Stock Ownership Guidelines** (Page 18) We have stock ownership guidelines for each of our executive vice presidents and certain other senior executives; each of our named executive officers as set forth in Figure 10 has met his or her individual ownership level under the current program or has a period of time remaining under the guidelines to do so.

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

**Stockholder Engagement** We engage with stockholders on an annual basis and stockholder advisory firms on an as needed basis to obtain feedback concerning our compensation program.

#### What We Don't Do

**Tax Gross-Ups for Perquisites, for Other Benefits, or upon a Change in Control** (Pages 28-31, 34-36) Our executive officers do not receive tax gross-ups for perquisites, for other benefits, or upon a change in control.

**Single-Trigger Change in Control Provisions** (Pages 27, 34-36) None of our executive officers has single-trigger change in control agreements.

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

*Continues on next page* <sup>u</sup>



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## Stock Ownership

## Security Ownership of Certain Beneficial Owners and Management

The table below sets forth the beneficial ownership of shares of Lam common stock by: (1) each person or entity who we believe based on our review of filings made with the United States Securities and Exchange Commission, or the SEC, beneficially owned as of September 11, 2017, more than 5% of Lam's common stock on the date set forth below; (2) each current director of the Company; (3) each NEO identified below in the *Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis* section; and (4) all current directors and current executive officers as a group. With the exception

of 5% owners, and unless otherwise noted, the information below reflects holdings as of September 11, 2017, which is the Record Date for the 2017 annual meeting and the most recent practicable date for determining ownership. For 5% owners, holdings are as of the dates of their most recent ownership reports filed with the SEC, which are the most practicable dates for determining their holdings. The percentage of the class owned is calculated using 162,496,503 as the number of shares of Lam common stock outstanding on September 11, 2017.

**Figure 5. Beneficial Ownership Table**

Name of Person or Identity of Group	Shares Beneficially Owned (#) <sup>(1)</sup>	Percentage of Class
<b>5% Stockholders</b>		
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	16,162,079 <sup>(2)</sup>	9.9%
BlackRock Inc. 55 East 52nd Street New York, NY 10055	12,619,092 <sup>(3)</sup>	7.8%
FMR LLC 245 Summer Street Boston, MA 02210	11,171,305 <sup>(4)</sup>	6.9%
Ameriprise Financial, Inc. 145 Ameriprise Financial Center Minneapolis, MN 55474	9,652,830 <sup>(5)</sup>	5.9%

**Directors**

Martin B. Anstice (also a Named Executive Officer)	145,155	*
Eric K. Brandt	28,480	*
Michael R. Cannon	22,780	*
Youssef A. El-Mansy	22,050	*
Christine A. Heckart	15,280	*
Young Bum (YB) Koh	1,000	*
Catherine P. Lego	48,288	*
Stephen G. Newberry	11,930	*
Abhijit Y. Talwalkar	23,380	*
Lih Shyng (Rick L.) Tsai	2,560	*

**Named Executive Officers ( NEOs )**

Timothy M. Archer	96,037	*
Douglas R. Bettinger	52,894	*
Richard A. Gottscho	20,956	*
Sarah A. O Dowd	72,192	*
All current directors and executive officers as a group (18 people)	659,814	*

\* Less than 1%

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- (1) Includes shares subject to outstanding stock options that are now exercisable or will become exercisable within 60 days after September 11, 2017, as well as restricted stock units, or RSUs, that will vest within that time period, as follows:

	Shares
Martin B. Anstice	82,397
Eric K. Brandt	2,050
Michael R. Cannon	2,050
Youssef A. El-Mansy	2,050
Christine A. Heckart	2,050
Young Bum (YB) Koh	1,000
Catherine P. Lego	2,050
Stephen G. Newberry	2,050
Abhijit Y. Talwalkar	2,050
Lih Shyng (Rick L.) Tsai	2,050
Timothy M. Archer	46,334
Douglas R. Bettinger	31,059
Richard A. Gottscho	
Sarah A. O Dowd	40,712
All current directors and executive officers as a group (18 people)	217,952

The terms of any outstanding stock options that are now exercisable are reflected in *Figure 31. FYE2017 Outstanding Equity Awards*.

As discussed in *Governance Matters Director Compensation* below, the non-employee directors receive an annual equity grant as part of their compensation. These grants generally vest on October 31, 2017, subject to continued service on the board as of that date, with immediate delivery of the shares upon vesting. For 2017, Drs. El-Mansy and Tsai; Messrs. Brandt, Cannon, Newberry and Talwalkar; and Ms. Heckart and Lego each received grants of 2,050 RSUs. These RSUs are included in the tables above. As of November 11, 2016, Dr. Koh had not yet been appointed to the board of the Company. In accordance with the Company's non-employee director compensation program, Dr. Koh received a pro-rated equity award of 1,000 RSUs (or 75% of the \$200,000 targeted grant date value, with the number of RSUs determined in the same manner as an annual equity award) on May 12, 2017, the first Friday following his first attended board meeting.

- (2) All information regarding The Vanguard Group, Inc., or Vanguard, is based solely on information disclosed in amendment number five to Schedule 13G filed by Vanguard with the SEC on July 10, 2017. According to the Schedule 13G filing, of the 16,162,079 shares of Lam common stock reported as beneficially owned by Vanguard as of June 30, 2017, Vanguard had sole voting power with respect to 245,279 shares, had shared voting power with respect to 32,331 shares, had sole dispositive power with respect to 15,887,595 shares and shared dispositive power with respect to 274,484 shares of Lam common stock reported as beneficially owned by Vanguard as of that date. The 16,162,079 shares of Lam common stock reported as beneficially owned by Vanguard include 198,150 shares beneficially owned by Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard, as a result of it serving as investment manager of collective trust accounts, and 122,780 shares beneficially owned by Vanguard Investments Australia, Ltd., a wholly owned subsidiary of Vanguard, as a result of it serving as investment manager of Australian investment offerings.

- (3) All information regarding BlackRock Inc., or BlackRock, is based solely on information disclosed in amendment number nine to Schedule 13G filed by BlackRock with the SEC on January 25, 2017 on behalf of BlackRock and its subsidiaries: BlackRock (Luxembourg) S.A.; BlackRock (Netherlands) B.V.; BlackRock (Singapore) Limited; BlackRock Advisors (UK) Limited; BlackRock Advisors, LLC; BlackRock Asset Management Canada Limited; BlackRock Asset Management Deutschland AG; BlackRock Asset Management Ireland Limited; BlackRock Asset Management North Asia Limited; BlackRock Asset Management Schweiz AG; BlackRock Capital Management; BlackRock Financial Management, Inc.; BlackRock Fund Advisors; BlackRock Fund Managers Ltd; BlackRock Institutional Trust Company, N.A.; BlackRock International Limited; BlackRock Investment Management (Australia) Limited; BlackRock Investment Management (UK) Ltd; BlackRock Investment Management, LLC; BlackRock Japan Co Ltd; and BlackRock Life Limited. According to the Schedule 13G filing, of the 12,619,092 shares of Lam common stock reported as beneficially owned by BlackRock as of December 31, 2016, BlackRock had sole voting power with respect to 11,047,990 shares, did not have shared voting power with respect to any shares, had sole dispositive power with respect to 12,619,092 shares and did not have shared dispositive power with respect to any shares of Lam common stock reported as beneficially owned by BlackRock as of that date.
- (4) All information regarding FMR, LLC, or FMR, is based solely on information disclosed in a Schedule 13G filed by FMR with the SEC on February 14, 2017 on behalf of FMR and the following subsidiaries: Crosby Advisors LLC; FIAM LLC; Fidelity Institutional Asset Management Trust Company; Fidelity Management & Research (Hong Kong) Limited; Fidelity Management Trust Company; Fidelity Selectco, LLC; FMR Co., Inc.; and Strategic Advisers, Inc. According to the Schedule 13G filing, of the 11,171,305 shares of Lam common stock reported as beneficially owned by FMR as of December 31, 2016, FMR had sole voting power with respect to 1,068,792 shares, did not have shared voting power with respect to any shares, had sole dispositive power with respect to 11,171,305 shares and did not have shared dispositive power with respect to any shares of Lam common stock reported as beneficially owned by FMR as of that date.
- (5) All information regarding Ameriprise Financial, Inc., or Ameriprise, is based solely on information disclosed in amendment number four to Schedule 13G filed by Ameriprise with the SEC on February 10, 2017. According to the Schedule 13G filing, of the 9,652,830 shares of Lam common stock reported as beneficially owned by Ameriprise as of December 31, 2016, Ameriprise did not have sole voting power with respect to any shares, had shared voting power with respect to 9,557,231 shares, did not have sole dispositive power with respect to any shares and

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shared dispositive power with respect to 9,652,830 shares of Lam common stock reported as beneficially owned by Ameriprise as of that date. According to the Schedule 13G filing, Ameriprise, as the parent company of Columbia Management Investment Advisers, LLC, or Columbia, may be deemed to have, but disclaims, beneficial ownership of the shares reported by Columbia in the Schedule 13G filing.

**Section 16(a) Beneficial Ownership Reporting Compliance**

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

to furnish us with copies of all section 16(a) forms they file. We are required to disclose in this proxy statement any failure to file any of these reports on a timely basis. Based solely on our review of the copies of the forms that we received from the filers, and on written representations from certain reporting persons, we believe that all of these requirements were satisfied during fiscal year 2017.

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## Governance Matters

## Corporate Governance

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

**Corporate Governance Policies**

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

***Board committee charters.*** Each of the Board's audit, compensation, and nominating and governance committees has a written charter adopted by the Board that establishes practices and procedures for the committee in accordance with applicable corporate governance rules and regulations. Each committee reviews its charter annually and recommends changes to the Board, as appropriate. Each committee charter is available on the Investors section of our website at <http://investor.lamresearch.com/corporate-governance.cfm>. The content on any website referred to in this proxy statement is not a part of or incorporated by reference in this proxy statement unless expressly noted. Also see *Board Committees* below for additional information regarding these committees.

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

***Corporate code of ethics.*** We maintain a code of ethics that applies to all employees, officers, and members of the Board.

The code of ethics establishes standards reasonably necessary to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, and full, fair, accurate, timely, and understandable disclosure in the periodic reports we file with the SEC and in other public communications. We will promptly disclose to the public any amendments to, or waivers from, any provision of the code of ethics to the extent required by applicable laws. We intend to make this public disclosure by posting the relevant material on our website, to the extent permitted by applicable laws. A copy of the code of ethics is available

on the Investors section of our website at <http://investor.lamresearch.com/corporate-governance.cfm>.

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

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

### **Board Nomination Policies and Procedures**

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

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

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organizations that may be relevant to the Company or its industry; diversity with respect to any attribute(s) the Board considers appropriate, including geographic, gender, age, and ethnic diversity; and the interplay of a candidate's experiences and skills with those of other Board members.

The specific skills, background, and experiences that are evaluated in connection with board service include (but are not limited to or required):

*Industry knowledge:* knowledge of and experience with our industry and markets, including an understanding of our customers' markets and needs;

*Technology knowledge:* knowledge and understanding of semiconductor and semiconductor wafer front end technologies;

*Marketing experience:* extensive knowledge and experience in business-to-business marketing and sales, and/or business development, preferably in a capital equipment industry;

*Business and operations leadership experience:* experience as a current or former CEO, president and/or COO;

*Finance experience:* profit and loss ( P&L ) and financing experience as an executive responsible for financial results of a breadth and level of complexity comparable to the Company;

*International business experience:* experience as a current or former business executive resident outside the United States and responsible for at least one business unit outside the United States;

*Mergers and acquisitions experience ( M&A ):* M&A and integration experience (including buy- and sell-side and hostile M&A experience) as a public company director or officer;

*Board/governance experience:* experience with corporate governance requirements and practices

*Public relations/investor relations/public policy experience*

*Cybersecurity expertise:* understanding of and experience in overseeing corporate cybersecurity programs and having a history of participation in relevant cyber education

The Board and the nominating and governance committee regard board refreshment as important, and strive to maintain an appropriate balance of tenure, turnover, diversity, and skills on the Board.

For many years, the composition of the Board has reflected the Board's commitment to diversity. For example, the Board has had at least two female directors since 2006, and over the last 10 years has expanded the experiences and areas of substantive expertise of the directors, as illustrated by the information provided in their biographies under

*Voting Proposals Proposal No. 1: Election of Directors 2017 Nominees for Director* below. Most recently, the Board has increased its geographic diversity with the appointment of two directors whose careers include significant leadership

experience with major non-U.S. customers and who reside in Asia.

Regarding tenure, the Board believes that new perspectives and ideas are important to a forward-looking and strategic board as is the ability to benefit from the valuable experience and familiarity of longer-serving directors. In line with the Board's pursuit of board refreshment and balanced tenure, including consideration of any resignations, the Board appointed two new directors within the last fiscal year, and has appointed 12 new directors in the last 10 years.

Prior to recommending the nomination of an incumbent non-employee director for reelection, the committee reviews the experiences, skills, and qualifications of the director to assess the continuing relevance of his or her experiences, skills, and qualifications to those considered necessary or desirable for the Board at that time.

To be nominated, a new or incumbent candidate must provide an irrevocable conditional resignation that will be effective upon (1) the director's failure to receive the required majority vote at an annual meeting at which the nominee faces re-election and (2) the Board's acceptance of such resignation. In addition, no director, after having attained the age of 75 years, may be nominated for re-election or reappointment to the Board.

*Nomination procedure.* The nominating and governance committee identifies, screens, evaluates, and recommends qualified candidates for appointment or election to the Board. The committee considers recommendations from a variety of sources, including search firms, Board members, executive officers, and stockholders. Nominations for election by the stockholders are made by the independent members of the Board. See *Voting Proposals Proposal No. 1: Election of Directors 2017 Nominees for Director* below for additional information regarding the 2017 candidates for election to the Board.

Certain provisions of our bylaws apply to the nomination or recommendation of candidates by a stockholder. For example, in February 2017, the Board amended and restated our bylaws to provide that under certain circumstances, a stockholder, or group of up to 20 stockholders, who have maintained continuous ownership of at least three percent (3%) of our common stock for at least three years may nominate and include a specified number of director nominees in our annual meeting proxy statement that cannot exceed the greater of two or 20% of the aggregate number of directors then serving on the Board (rounded down). Information regarding the nomination procedure is provided in the *Voting and Meeting Information Other Meeting Information Stockholder-Initiated Proposals and Nominations for 2018 Annual Meeting* section below.

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### **Director Independence Policies**

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

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

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

*Lead independent director.* Our corporate governance guidelines authorize the Board to designate a lead independent director from among the independent members. Mr. Talwalkar was appointed the lead independent director, effective August 27, 2015. See *Leadership Structure of the Board* below for information regarding the responsibilities of the lead independent director.

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

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

*Board education program.* Our corporate governance guidelines provide that directors are expected to participate in educational events sufficient to maintain their understanding of their duties as directors and to enhance their ability to fulfill their responsibilities. In addition to any external educational

opportunities that the directors find useful, the Company and the board leadership are expected to facilitate such participation by arranging for appropriate educational presentations from time to time.

### **Leadership Structure of the Board**

The current leadership structure of the Board consists of a chairman and a lead independent director. The chairman, Mr. Newberry, served as chief executive officer of the Company from June 2005 to January 2012. The Board believes that this is the appropriate board leadership structure at this time. Lam and its stockholders benefit from having Mr. Newberry as its chairman, as he brings to bear his experience as CEO as well as his other qualifications in carrying out his responsibilities as chairman, which include (1) preparing the agenda for the Board meetings with input from the CEO, the Board, and the committee chairs; (2) upon invitation, attending meetings of any of the Board committees on which he is not a member; (3) conveying to the CEO, together with the chair of the compensation committee, the results of the CEO's performance evaluation; (4) reviewing proposals submitted by stockholders for

action at meetings of stockholders and, depending on the subject matter, determining the appropriate body, among the Board or any of the Board committees, to evaluate each proposal and making recommendations to the Board regarding action to be taken in response to such proposal; (5) performing such other duties as the Board may reasonably request from time to time; and (6) providing reports to the Board on the chairman's activities under his agreement. The Company and its stockholders also benefit from having a lead independent director to provide independent board leadership. The lead independent director is responsible for: (1) coordinating the activities of the independent directors; (2) consulting with the chairman regarding matters such as (a) schedules of and agendas for Board meetings, (b) the quality, quantity, and timeliness of the flow of information from management, and (c) the retention of consultants who report directly to the Board; and (3) developing the agenda for and moderating executive sessions of the Board's independent directors.

### **Other Governance Practices**

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

*Board and committee assessments.* Every year, the Board conducts a self-evaluation of the Board, its committees, and the individual directors, overseen by the nominating and governance committee and generally led by the lead independent director and the chairman of the Board. From time to time, the evaluation is facilitated by an independent third-party consultant. The evaluation solicits the opinions of the directors regarding the effectiveness of the Board, committees, and individual directors in fulfilling its/their

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obligations. Feedback on Board and committee effectiveness is provided to the full Board for discussion, and feedback regarding individual director performance is provided to each individual director. The Board and committees identify and hold themselves accountable for any action items stemming from the assessment. The results of the evaluations are also considered as part of the director nomination process.

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

*Limitations on other board and committee memberships.* Board members may not serve on more than four public company boards (including service on the Company's Board). Non-employee directors who are sitting executives may not serve on more than three public company boards (including the Company's Board). The nominating and governance committee will review the appropriateness of continued Board membership if a non-employee director who is a sitting executive serves on more than two such boards, and the director is expected to follow the recommendation of the nominating and governance committee. In addition, non-employee directors may not serve on more than three audit committees of public company boards (including the Company's audit committee).

*Director and executive stock ownership.* Under the corporate governance guidelines, each director is expected to own at least the lesser of five times the value of the annual cash retainer (not including any committee chair or other supplemental retainers for directors) or 5,000 shares of Lam common stock, by the fifth anniversary of his or her initial election to the Board. Guidelines for stock ownership by designated members of the executive management team are described below under *Compensation Matters – Executive Compensation and Other Information Compensation Discussion and Analysis*. All of our directors and designated members of our executive management team were in compliance with the Company's applicable stock ownership guidelines at the end of fiscal year 2017 or have a period of time remaining under the program to do so.

*Communications with Board members.* Any stockholder who wishes to communicate directly with the Board, with any Board committee, or with any individual director regarding the

Company may write to the Board, the committee, or the director c/o Secretary, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538. The Secretary will forward all such communications to the appropriate director(s).

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

## **Meeting Attendance**



Our Board held a total of six meetings during fiscal year 2017. The number of committee meetings held is shown in Figure 6. All of the directors attended at least 75% of the aggregate number of Board meetings and meetings of Board committees on which they served during their tenure in fiscal year 2017, with the exception of Mr. Cannon due to medical reasons. We expect his attendance going forward to be consistent with prior years.

We expect our directors to attend the annual meeting of stockholders each year unless unusual circumstances make attendance impractical. All but one of the individuals who were directors as of the 2016 annual meeting of stockholders attended that meeting.

### Board Committees

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

**Figure 6. Committee Membership**

Current Committee Memberships			Nominating and Governance
Name	Audit	Compensation	
Eric K. Brandt	Chair		
Michael R. Cannon	x		x
Youssef A. El-Mansy		x	
Christine A. Heckart	x		
Catherine P. Lego		Chair	x
Abhijit Y. Talwalkar		x	Chair
<b>Total Number of Meetings Held in FY2017</b>	<b>9</b>	<b>6</b>	<b>4</b>

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

The Board concluded that all audit committee members are non-employee directors who are independent in accordance with the Nasdaq listing standards and SEC rules for audit committee member independence and that each audit committee member is able to read and understand fundamental financial statements as required by the Nasdaq listing standards. The Board also determined that Messrs. Brandt and Cannon (both members of the committee) are each, and Messrs. Anstice, Newberry, and Talwalkar and Ms. Lego (members of the Board) each qualify as, an audit committee financial expert as defined in the SEC rules.

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

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

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

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

The nominating and governance committee will consider for nomination persons properly nominated by stockholders in accordance with the Company's bylaws and other procedures described below under *Voting and Meeting Information Other Meeting Information Stockholder-Initiated Proposals and Nominations for 2018 Annual Meeting*. Subject to then-applicable law, stockholder nominations for director will be evaluated by the Company's nominating and governance committee in accordance with the same criteria as is applied to candidates identified by the nominating and governance committee or other sources.

## **Board's Role and Engagement**

***General.*** The Board directs and oversees the management of the business and affairs of the Company. In this oversight role, the Board serves as the ultimate decision-making body of the Company, except for those matters

reserved for the stockholders.

The Board and its committees have the primary responsibilities of:

discussing, reviewing, monitoring and approving the Company's business strategies, capital allocation plans/priorities, annual operating plan, and major corporate actions as set forth below;

- A strategic plan is presented to the Board for discussion on an annual basis, and updates are presented at each quarterly Board meeting.
- An operating plan is presented to the Board for discussion on an annual basis, and updates are presented at each quarterly Board meeting.
- Capital allocation plans and priorities are discussed on a quarterly basis.
- Major corporate actions are presented and discussed as part of strategic plan updates and as special agenda topics, as appropriate.

appointing, evaluating the performance of, and approving the compensation of the CEO;

reviewing with the CEO the performance of the Company's executive officers and approving their compensation;

reviewing and approving CEO and top leadership succession planning;

advising and mentoring the Company's senior management;

overseeing the Company's internal controls over financial reporting and disclosure controls and procedures;

overseeing the Company's ethics and compliance programs, including the Company's code of ethics; and

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overseeing the Company's enterprise risk management processes and programs, described in further detail below. *Risk oversight.* The Board is actively engaged in risk oversight. Management regularly reports to the Board on its risk assessments and risk mitigation strategies for the major risks of our business. Generally, the Board exercises its oversight responsibility directly; however, in specific cases, such responsibility has been delegated to committees of the Board. Committees that have been charged with risk oversight regularly report to the Board on those risk matters within their areas of responsibility. Risk oversight responsibility has been delegated to committees of the Board as set forth below.

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

## Director Compensation

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

*Non-employee director compensation.* Non-employee directors receive annual cash retainers and equity awards. The chairman of the Board, committee chairs, the lead independent director, and committee members receive additional cash retainers. Non-employee directors who join the Board or a committee midyear receive pro-rated cash retainers and equity awards, as applicable. Our non-employee director compensation program is based on service during the calendar year; however, SEC rules require us to report compensation in this proxy statement on a fiscal-year basis. Cash compensation paid to non-employee directors for the fiscal year ended June 25, 2017, together with the annual cash compensation program components in effect for calendar years 2016 and 2017, is shown in the table below.

**Figure 7. Director Annual Retainers**

	Calendar Year 2017	Calendar Year 2016	Fiscal Year 2017
Annual Retainers	(\$)	(\$)	(\$)
Non-employee Director	65,000	65,000	65,000

Lead Independent Director	22,500	22,500	22,500
Chairman	160,000	280,000	220,000
Audit Committee Chair	30,000	30,000	30,000
Audit Committee Member	12,500	12,500	12,500
Compensation Committee Chair	20,000	20,000	20,000
Compensation Committee Member	10,000	10,000	10,000
Nominating and Governance Committee Chair	15,000	15,000	15,000
Nominating and Governance Committee Member	5,000	5,000	5,000

Each non-employee director also receives an annual equity grant on the first Friday following the annual meeting with a targeted grant date value equal to \$200,000 (the number of RSUs subject to the award is determined by dividing \$200,000 by the closing price of a share of Company common stock as of the date of grant, rounded down to the nearest 10 shares). These grants generally vest on October 31 in the year following the grant and are subject to the terms and conditions of the Company's 2015 Stock Incentive Plan, as amended, or the 2015 Plan, and the applicable award agreements. These grants immediately vest in full: (1) if a non-employee director dies or becomes subject to a disability (as determined pursuant to the 2015 Plan), (2) upon the occurrence of a Corporate Transaction (as defined in the 2015 Plan), or (3) on the date of the annual meeting if the annual meeting during the year in which the award was expected to vest occurs prior to the vest date and the non-employee director is not re-elected or retires or resigns effective immediately prior to the annual meeting. Non-employee directors who

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commence service after the annual award has been granted receive on the first Friday following the first regularly scheduled, quarterly Board meeting attended a pro-rated grant based on the number of regularly scheduled, quarterly Board meetings remaining in the year as of the effective date of the director's appointment. The pro-rated grants are subject to the same vesting schedule, terms and conditions as the annual equity awards, except that if the award is granted on the first Friday following the regularly scheduled quarterly November Board meeting, the grant vests immediately.

On November 11, 2016, Dr. Tsai, who was appointed to the Board effective September 13, 2016, received a pro-rated grant of 510 RSUs for service during calendar year 2016 that vested immediately.

On November 11, 2016, each director other than Mr. Anstice and Dr. Koh, who was appointed a director on May 10, 2017, received a grant of 2,050 RSUs for service during calendar year 2017.

On May 12, 2017, Dr. Koh, who was appointed to the Board effective May 10, 2017, received a pro-rated grant of 1,000 RSUs for service during calendar year 2017.

Unless there is an acceleration event, these RSUs granted to each current director for service during calendar year 2017 will vest in full on October 31, 2017, subject to the director's continued service on the Board.

*Chairman compensation.* Mr. Newberry, who served as vice-chairman from December 7, 2010 to November 1, 2012 and since such date has served as chairman, has a chairman's agreement documenting his responsibilities, described above under *Governance Matters Corporate Governance Leadership Structure of the Board*, and compensation. Mr. Newberry entered into a chairman's agreement with the Company commencing on January 1, 2017, and expiring on December 31, 2017, subject to the right of earlier termination in certain circumstances and a one-year extension upon mutual written agreement of the parties. The agreement provides that Mr. Newberry will serve as chairman (and not as an employee or officer) and in addition to his regular compensation as a non-employee director, he receives an additional cash retainer of \$160,000 on the same date.

Mr. Newberry was eligible to participate through 2014 in the Company's Elective Deferred Compensation Plan that is generally applicable to executives of the Company, subject to the general terms and conditions of such plan. He continues to maintain a balance in the plan until he no longer performs service for the Company as a director but is no longer eligible to defer any compensation into the plan.

The following table shows compensation for fiscal year 2017 for persons serving as directors during fiscal 2017 other than Mr. Anstice:

**Figure 8. FY2017 Director Compensation**

Director Compensation for Fiscal Year 2017			
Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	All Other Compen- sation (\$) <sup>(2)</sup>	Total (\$)

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Stephen G. Newberry	225,000 <sup>(6)</sup>	197,415 <sup>(3)</sup>	26,275	448,690
Eric K. Brandt	95,000 <sup>(7)</sup>	197,415 <sup>(3)</sup>		292,415
Michael R. Cannon	82,500 <sup>(8)</sup>	197,415 <sup>(3)</sup>		279,915
Youssef A. El-Mansy	75,000 <sup>(9)</sup>	197,415 <sup>(3)</sup>	26,275	298,690
Christine A. Heckart	77,500 <sup>(10)</sup>	197,415 <sup>(3)</sup>		274,915
Young Bum (YB) Koh	48,750 <sup>(11)</sup>	148,690 <sup>(4)</sup>		197,440
Catherine P. Lego	90,000 <sup>(12)</sup>	197,415 <sup>(3)</sup>	25,012	312,427
Krishna C. Saraswat <sup>(13)</sup>				
Abhijit Y. Talwalkar	112,500 <sup>(14)</sup>	197,415 <sup>(3)</sup>		309,915
Lih Shyng (Rick L.) Tsai	81,250 <sup>(15)</sup>	247,135 <sup>(3),(5)</sup>		328,385

- (1) The amounts shown in this column represent the grant date fair value of unvested RSU awards granted during fiscal year 2017 in accordance with Financial Accounting Standards Board Accounting Standards Codification 718, Compensation – Stock Compensation, or ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2017 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2017.
- (2) Represents the portion of medical, dental, and vision premiums paid by the Company.
- (3) On November 11, 2016, each non-employee director who was on the board received an annual grant of 2,050 RSUs based on the \$97.49 closing price of Lam's common stock and the target value of \$200,000, rounded down to the nearest 10 shares.
- (4) On May 12, 2017, Dr. Koh received a prorated annual grant of 1,000 RSUs based on the \$149.58 closing price of Lam's common stock and the target value of \$150,000, rounded down to the nearest 10 shares.
- (5) On November 11, 2016, Dr. Tsai received a prorated annual grant of 510 RSUs based on the \$97.49 closing price of Lam's common stock and the target value of \$50,000, rounded down to the nearest 10 shares.
- (6) Mr. Newberry received \$225,000, representing his \$160,000 chairman retainer and \$65,000 annual retainer as a director.
- (7) Mr. Brandt received \$95,000, representing his \$65,000 annual retainer and \$30,000 as the chair of the audit committee.
- (8) Mr. Cannon received \$82,500, representing his \$65,000 annual retainer, \$12,500 as a member of the audit committee, and \$5,000 as a member of the nominating and governance committee.
- (9) Dr. El-Mansy received \$75,000, representing his \$65,000 annual retainer and \$10,000 as a member of the compensation committee.

- <sup>(10)</sup> Ms. Heckart received \$77,500, representing her \$65,000 annual retainer and \$12,500 as a member of the audit committee.

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- (11) Dr. Koh received \$48,750 representing his partial year annual retainer as a director.
- (12) Ms. Lego received \$90,000, representing her \$65,000 annual retainer, \$20,000 as the chair of the compensation committee, and \$5,000 as a member of the nominating and governance committee.
- (13) Dr. Saraswat resigned from his board membership effective November 7, 2016. All payments to Dr. Saraswat for the relevant fiscal year were paid in the prior fiscal year period.
- (14) Mr. Talwalkar received \$112,500, representing his \$65,000 annual retainer, \$22,500 as lead independent director, \$10,000 as a member of the compensation committee, and \$15,000 as the chair of the nominating and governance committee.
- (15) Dr. Tsai received \$81,250 representing his \$65,000 annual retainer, and \$16,250 representing his partial year annual retainer for calendar year 2016.

*Other benefits.* Any members of the Board enrolled in the Company's health plans on or prior to December 31, 2012, can continue to participate after retirement from the Board in the Company's Retiree Health Plans. The Board eliminated this benefit for any person who became a director after December 31, 2012. The most recent valuation of the Company's accumulated post-retirement benefit obligation under Accounting Standards Codification 715, *Compensation-Retirement Benefits*, or ASC 715, as of June 25, 2017, for eligible former directors and the current directors who may become eligible is shown below. Factors affecting the amount of post-retirement benefit obligation include age at enrollment, age at retirement, coverage tier (e.g., single, plus spouse, plus family), interest rate, and length of service.

**Figure 9. FY2017 Accumulated Post-Retirement Benefit Obligations**

Director Compensation for Fiscal Year 2017	
	Accumulated Post-Retirement Benefit Obligation, as of June 25, 2017
Name	(\$)
Stephen G. Newberry	918,000
Eric K. Brandt	
Michael R. Cannon	
Youssef A. El-Mansy	627,000
Christine A. Heckart	
Young Bum (YB) Koh	
Catherine P. Lego	526,000

Krishna C. Saraswat

Abhijit Y. Talwalkar

Lih Shyng (Rick L.) Tsai

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## Compensation Matters

## Executive Compensation and Other Information

**Compensation Discussion and Analysis**

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

- I. Overview of Executive Compensation (Including Our Philosophy and Program Design)
- II. Executive Compensation Governance and Procedures
- III. Primary Components of Named Executive Officer Compensation; Calendar Year 2016 Compensation Payouts; Calendar Year 2017 Compensation Targets and Metrics
- IV. Tax and Accounting Considerations

Our CD&A discusses compensation earned by our fiscal year 2017 Named Executive Officers, or NEOs, who are as follows:

**Figure 10. FY2017 NEOs**

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

***I. OVERVIEW OF EXECUTIVE COMPENSATION***

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

**Figure 11. FY2012-FY2017 CEO Pay for Performance**



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- (1) CEO Total Compensation consists of base salary, annual incentive payments, accrued values of the cash payments under the long-term incentive program when applicable and grant date fair values of equity-based awards under the long-term incentive program, and all other compensation as reported in the *Summary Compensation Table* below.
- (2) The CEO Total Compensation for fiscal years 2012 and 2013 reflects awards covering a two-year performance period as compared to the three-year period in all subsequent fiscal years. In 2014, the committee granted one-time calendar year 2014 Gap Year Awards as defined below of Market-Based Performance Restricted Stock Unit, or Market-Based PRSU, stock options and RSUs on the terms set forth in Figure 16 of the 2014 proxy statement. The one-time 2014 Gap Year Award, with a value of \$3,074,271 is reflected in the Executive Compensation Tables *Summary Compensation Table* for fiscal year 2014 is not included in fiscal year 2014 CEO Total Compensation in order to allow readers to more easily compare compensation in prior and subsequent periods and better reflect the compensation payable in any fiscal year following the transition. In 2014, our LTIP was redesigned by: (i) establishing a program entirely composed of equity, (ii) introducing a new LTIP vehicle, a Market-Based PRSU, designed to reward eligible participants based on our stock price performance relative to the Philadelphia Semiconductor Sector Index (SOX), or SOX index, (iii) differentiating the metric in our LTIP from the absolute operational performance metrics used for the annual incentive program, and (iv) extending the performance period for the LTIP from two to three years. This change would have left participants with a gap in long-term incentive vesting opportunity in 2016. To ensure that participants received a long-term award that vested in 2016, the committee also awarded in 2014 a one-time gap year award with a two-year performance period, or the Gap Year Award. The target amount awarded under the Gap Year Award was equal to 50% of the target award opportunity under the regular three-year LTIP award. While the impact on the employee from the extended performance period and the Gap Year Award was to normalize the received compensation in any year, assuming the same year after year performance and target opportunities, the impact on the Company from such normalization was a higher grant-based compensation expense in fiscal year 2014.
- To understand our executive compensation program fully, we believe it is important to understand:

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

### ***Our Business, Our Industry Environment, and Our Financial Performance***

Lam Research has been an innovative supplier of wafer fabrication equipment and services to the semiconductor industry for more than 35 years. Our customer base includes leading semiconductor memory, foundry, and integrated device manufacturers that make products such as non-volatile memory (NVM), DRAM memory, and logic devices. We aim to increase our strategic relevance with our customers by contributing more to their continued success. Our core technical competency is integrating hardware, process,

materials, software, and process control enabling results on the wafer.

Our products and services are designed to help our customers build smaller, faster, and better performing devices that are used in a variety of electronic products, including mobile phones, personal computers, servers, wearables,

automotive devices, storage devices, and networking equipment.

Semiconductor manufacturing, our customers' business, involves the complete fabrication of multiple dies or integrated circuits on a wafer. This involves the repetition of a set of core processes and can require hundreds of individual steps. Fabricating these devices requires highly sophisticated process technologies to integrate an increasing array of new materials with precise control at the atomic scale. Along with meeting technical requirements, wafer processing equipment must deliver high productivity and be cost-effective.

Demand from the Cloud, Internet of Things (IoT), and other markets is driving the need for increasingly powerful and cost-efficient semiconductors. At the same time, there are growing technical challenges with traditional two-dimensional scaling. These trends are driving significant inflections in semiconductor manufacturing, such as the increasing importance of vertical scaling strategies like 3D architectures as well as multiple patterning to enable shrinks.

We believe we are in a strong position with our leadership and competency in deposition, etch, and single-wafer clean to facilitate some of the most significant innovations in semiconductor device manufacturing. Several factors create opportunity for sustainable differentiation for us: our focus on research and development, with a breadth of programs across sustaining engineering, product and process development, and concept and feasibility; our ability to effectively leverage cycles of learning from our broad installed base; and our collaborative focus with ecosystem partners.

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

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### **Figure 12. Executive Compensation Calendar-Year Orientation**

In calendar year 2016, demand for semiconductor equipment increased relative to calendar year 2015 as technology inflections led to higher investments. Against this backdrop, Lam delivered record financial performance.

Highlights for calendar year 2016:

- achieved record revenues of approximately \$6.4 billion for the calendar year, representing an 8% increase over calendar year 2015;

- generated operating cash flow of approximately \$1.5 billion, which represents approximately 23% of revenues; and

- generated sufficient cash flow to support payment of approximately \$191 million in dividends to stockholders, a 25% increase compared to calendar year 2015.

In the first half of calendar year 2017, investments for wafer fabrication equipment spending have remained solid as customers transition to next-generation technology nodes, which are increasingly complex and more costly to produce.

Lam has continued to generate solid operating income and cash generation with revenues of \$4.5 billion, and cash flows from operations of \$1.2 billion earned from the March and June 2017 quarters combined.

### ***Executive Compensation Philosophy and Program Design***

#### **Executive Compensation Philosophy**

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

- provide competitive compensation to attract and retain top talent;

- provide total compensation packages that are fair to employees and reward corporate, organizational, and individual performance;

- align pay with business objectives while driving exceptional performance;

- optimize value to employees while maintaining cost-effectiveness to the Company;

- create stockholder value over the long term;

- align annual program to annual performance and long-term program to longer-term performance;

- recognize that a long-term, high-quality management team is a competitive differentiator for Lam, enhancing customer trust/market share and, therefore, stockholder value; and

- provide rewards when results have been demonstrated.

Our compensation committee's executive compensation objectives are to motivate:

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

#### **Program Design**

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

For senior vice presidents and above, we also have stock ownership guidelines that foster a long-term orientation. See next paragraph for additional information.

*Continues on next page* <sup>u</sup>



**Table of Contents****Figure 13. NEO Compensation Target Pay Mix Averages<sup>(1)</sup>**

- (1) Data for 2017, 2016 and 2015 charts is for the then-applicable NEOs (i.e., fiscal year 2015 NEOs are represented in the 2015 chart, etc.).
- (2) The Company's LTIP design provides that 50% of the target award opportunity is awarded in Market-based PRSUs and the remaining 50% in a combination of stock options and service-based RSUs with at least 10% of the award in each of these two vehicles. In 2017 and 2015, the percentage of the target award opportunity awarded in stock options and service-based RSUs was 10% and 40%, respectively. In 2016, the corresponding percentages awarded in stock options and service-based RSUs were 20% and 30%. See *III. Primary Components of Named Executive Officer Compensation; Calendar Year 2016 Compensation Payouts; Calendar Year 2017 Compensation Targets and Metrics – Long-Term Incentive Program – Design* for further information regarding the impact of such a target pay mix.
- (3) For purposes of this illustration, we include Market-based PRSUs and stock options as performance-based, but do not classify service-based RSUs as performance-based.

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

an increase in the ownership guideline must be achieved within five years of promotion or a change in the guidelines. At the end of fiscal year 2017, all NEOs were in compliance with our stock ownership guidelines or have a period of time remaining under the guidelines to meet the required ownership level.

**Figure 14. Executive Stock Ownership Guidelines**

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

***Compensation Recovery, or Clawback Policy***

Our executive officers covered by section 16 of the Exchange Act are subject to the Company's compensation recovery, or clawback, policy. The clawback policy was adopted in August 2014 and will enable us to recover, within 36 months of the issuance of the original financial statements, the excess amount of cash incentive-based compensation issued starting in calendar year 2015 to officers covered by section 16 of the Exchange Act when a material restatement of financial results

is required. A covered individual's fraud must have materially contributed to the need to issue restated financial statements in order for the clawback policy to apply to that individual. The recovery of compensation is not the exclusive remedy available in the event that the clawback policy is triggered.

#### *Executive Compensation Highlights*

Highlights of our executive compensation program are listed in *Figure 4. Executive Compensation Highlights*.

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***II. EXECUTIVE COMPENSATION GOVERNANCE AND PROCEDURES***

***Role of the Compensation Committee***

Our Board has delegated certain responsibilities to the compensation committee, or the committee, through a formal charter. The committee<sup>1</sup> oversees the compensation programs in which our chief executive officer and his direct executive and senior vice president reports participate. The independent members of our Board approve the compensation packages and payouts for our CEO. The CEO is not present for any decisions regarding his compensation packages and payouts.

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

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

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

***Role of Committee Advisors***

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

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

### *Role of Management*

Our CEO, with support from our human resources and finance organizations, develops recommendations for the compensation of our other executive officers. Typically, these

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

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recommendations cover base salaries, annual incentive program target award opportunities, long-term incentive program target award opportunities, and the criteria upon which these award opportunities may be earned, as well as actual payout amounts under the annual and long-term incentive programs.

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

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

***Peer Group Practices and Survey Data***

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

**Figure 15. 2017 Peer Group Revenue and Market Capitalization**

	Lam		Peer
	Research		Group
Metric	(\$M)	Target for Peer Group	Median (\$M)
Revenue (last completed four quarters as of June 20, 2016)	5,821	0.33 to 3.0 times Lam	4,492
Market Capitalization (30-day average as of June 20, 2016)	12,722	0.33 to 3.0 times Lam	12,203

Based on these criteria, the Peer Group and targets may be modified from time to time. Our Peer Group was reviewed in August 2016 for calendar year 2017 compensation decisions and based on the criteria identified above, two companies were added to the peer group (Micron Technology and

Skyworks Solutions) and three companies (Avago Technologies, Freescale Semiconductor, and Marvel Technology Group Ltd.) were removed. Our Peer Group consists of the companies listed as follows.

**Figure 16. CY2017 Peer Group Companies**

Advanced Micro Devices, Inc.	Micron Technology
Agilent Technologies, Inc.	Maxim Integrated Products, Inc.
Analog Devices, Inc.	NetApp, Inc.
Applied Materials, Inc.	NVIDIA Corporation
Broadcom Limited	ON Semiconductor Corporation
Corning Incorporated	SanDisk Corporation
Juniper Networks, Inc.	Skyworks Solutions
KLA-Tencor Corporation	Xilinx, Inc.

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

Base pay levels for each executive officer are generally set with reference to market competitive levels and in reflection of each officer's skills, experiences, and performance. Variable pay target award opportunities and total direct compensation for each executive officer are generally designed to deliver market competitive compensation for the achievement of stretch goals with downside risk for underperforming and upside reward for success. For those executive officers who are new to their roles, compensation arrangements may be designed to deliver below market compensation for a period of time. However, the committee does not target pay at any specific percentile. Rather, individual pay positioning depends on a variety of factors, such as prior job performance, job scope and responsibilities, skill set, prior experience, time in position, internal comparisons of pay levels for similar skill levels or positions, our goals to attract and retain executive talent, Company performance, and general market conditions.

#### *Assessment of Compensation Risk*

Management, with the assistance of Compensia, the committee's independent compensation consultant, conducted a compensation risk assessment in 2017 and concluded that the Company's current employee compensation programs are not reasonably likely to have a material adverse effect on the Company's business.

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***2016 Say on Pay Voting Results; Company Response***

We evaluate our executive compensation program annually. Among other things, we consider the outcome of our most recent Say on Pay vote and input we receive from our stockholders. In 2016, our stockholders approved our 2016 advisory vote on executive compensation, with 98.32% of the votes cast in favor of the advisory proposal. We believe that our most recent Say on Pay vote signifies our stockholders' support of our executive compensation program and practices. We did not make any material changes to our programs and practices in fiscal year 2017.

***III. PRIMARY COMPONENTS OF NAMED EXECUTIVE OFFICER COMPENSATION; CALENDAR YEAR 2016 COMPENSATION PAYOUTS; CALENDAR YEAR 2017 COMPENSATION TARGETS AND METRICS***

This section describes the components of our executive compensation program. It also describes, for each component, the payouts to our NEOs for calendar year 2016 and the forward-looking actions taken with respect to our NEOs in calendar year 2017.

***Base Salary***

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

For calendar years 2017 and 2016, base salaries for NEOs were determined by the committee in February of each year and became effective on March 1 or the first day of the pay period that included March 1 (if earlier), based on the factors described above. The following base salary adjustments for 2017 were made to remain competitive against our Peer Group and reflect performance as follows: Mr. Archer's base salary was increased by 5%, Mr. Anstice's was increased by 3.1%, Mr. Bettinger's and Ms. O'Dowd's were increased by 3%, and Dr. Gottscho's was increased by 2%. The base salaries of the NEOs for calendar years 2017 and 2016 are as follows:

**Figure 17. NEO Annual Base Salaries**

	Annual Base Salary 2017 <sup>(1)</sup>	Annual Base Salary 2016 <sup>(2)</sup>
Named Executive Officer	(\$)	(\$)
Martin B. Anstice	990,000	960,000
Timothy M. Archer	668,367	636,540
Douglas R. Bettinger	584,010	567,000
Richard A. Gottscho	567,324	556,200
Sarah A. O Dowd	462,341	448,875

<sup>(1)</sup> Effective February 27, 2017

<sup>(2)</sup> Effective February 29, 2016  
*Annual Incentive Program*

## Design

Our annual incentive program is designed to provide annual, performance-based compensation that: (1) is based on the achievement of pre-set annual financial, strategic, and operational objectives aligned with outstanding performance, and (2) will allow us to attract and retain top talent, while maintaining cost-effectiveness to the Company. The committee establishes individual target award opportunities for each NEO as a percentage of base salary. Specific target award opportunities are determined based on job scope and responsibilities, as well as an assessment of Peer Group data. Awards have a maximum payment amount defined as a multiple of the target award opportunity. The maximum award for 2016 and 2017 was set at 2.25 times target, consistent with prior years.

### Annual incentive program components

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

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

The Funding Factor is set by the committee to create a maximum payout amount from which annual incentive program payouts may be made. The committee may exercise negative (but not positive) discretion against the Funding Factor result, and generally the entire funded amount is not paid out. Achievement of a minimum level of performance against the Funding Factor goals is required to fund any program payments. In February 2016, for calendar year 2016, the committee set non-GAAP operating income as a percentage of revenue as the metric for the Funding Factor, with the following goals:



a minimum achievement of 5% non-GAAP operating income as a percentage of revenue was required to fund any program payments, and achievement of non-GAAP operating income (as a percentage of revenue) greater than or equal to 20% resulting in the maximum payout potential of 225% of target,

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with actual funding levels interpolated between those points.

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

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

the Corporate Performance Factor, which is based on a corporate-wide metric and goals that are designed to be stretch goals that apply to all NEOs; and

the Individual Performance Factors, which are designed to be stretch goals and are based on organization-specific metrics and individual performance that apply to each individual NEO. In addition, in assessing individual performance, the CEO considers the performance of the whole executive team.

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

The metrics and goals for the Corporate and Individual Performance Factors are set annually. Goals are set depending on the business environment, ensuring that they

are stretch goals regardless of changes in the business environment. Accordingly, as business conditions improve, goals are set to require better performance, and as business conditions deteriorate, goals are set to require stretch performance under more difficult conditions.

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

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

<sup>(2)</sup> Non-GAAP results are designed to provide information about performance without the impact of certain non-recurring and other non-operating line items. Non-GAAP operating income is derived from GAAP results, with charges and credits in the following line items excluded from GAAP results for applicable quarters during fiscal years 2017 and 2016: restructuring charges; acquisition-related costs, including net acquisition funding interest expense; costs associated with rationalization of certain product configurations; amortization related to intangible assets acquired in the Novellus Systems, Inc. transaction; acquisition-related inventory fair value

impact; costs associated with campus consolidation; litigation settlement; costs associated with business process reengineering; and gain on sale of assets, net of associated exit costs.

**Figure 18. Annual Incentive Program Payouts**

Calendar Year	Average NEO's Annual Incentive Payout as % of Target Award Opportunity	Business Environment
2016	166	Strong operating performance and continued expansion of served available markets, supported by stable economic conditions. Healthy demand for semiconductor equipment driven by capacity and technology investments.
2015	159	Strong operating performance and expansion of served available markets, supported by stable economic conditions. Robust demand for semiconductor equipment driven by both capacity and technology investments.
2014	127	Strong operating performance supported by stable economic conditions and healthy demand for semiconductor equipment; Company growth in various growing industry technology inflections

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### **Calendar year 2016 annual incentive program parameters and payout decisions**

In February 2016, the committee set the calendar year 2016 target award opportunity and established the metrics and goals for the Funding Factor, the metrics and annual goals for the Corporate Performance Factor, and the metrics and goals for the Individual Performance Factors for each NEO were established. In February 2017, the committee considered the actual results under these factors and made payout decisions for the calendar year 2016 program, all as described below.

*2016 Annual Incentive Program Target Award Opportunities.* The annual incentive program target award opportunities for calendar year 2016 for each NEO were as set forth in Figure 19 below in accordance with the principles set forth above under *Executive Compensation Governance and Procedures* *Peer Group Practices and Survey Data*.

*2016 Annual Incentive Program Corporate Performance Factor.* In February 2016, the committee set non-GAAP operating income as a percentage of revenue as the metric for the calendar year 2016 Corporate Performance Factor, and set:

- a goal of 20% of revenue for the year, which was designed to be a stretch goal, and which would result in a Corporate Performance Factor of 1.00;
- a minimum Corporate Performance Factor of 0.20 for any payout; and
- a maximum Corporate Performance Factor of 1.50 for the maximum payout.

These goals were designed to be stretch goals. Actual non-GAAP operating income as a percentage of revenue was 22.9% for calendar year 2016. This performance resulted in a total Corporate Performance Factor for calendar year 2016 of 1.29.

*2016 Annual Incentive Program Organization/Individual Performance Factor.* For 2016, the organization-specific performance metrics and goals for each NEO's Individual Performance Factor were set on an annual basis, and were designed to be stretch goals. The Individual Performance Factor for Mr. Anstice for calendar year 2016 was based on the average of the Individual Performance Factors of all the

executive and senior vice presidents reporting to him. For all other NEOs, their respective Individual Performance Factors were based on market share and/or strategic, operational, and organizational performance goals specific to the organizations they managed, as described in more detail below.

The accomplishments of actual individual performance against the established goals described below during 2016 were considered.

Mr. Archer's Individual Performance Factor for calendar year 2016 was based on the accomplishment of market share, and strategic, operational, and organizational development goals for the global sales organization, the customer support business group and global operations.

Mr. Bettinger's Individual Performance Factor for calendar year 2016 was based on the accomplishment of strategic, operational, and organizational development goals for finance, global information systems, and investor relations.

Dr. Gottscho's Individual Performance Factor for calendar year 2016 was based on the accomplishment of market share, and strategic, operational, and organizational development goals for the product groups deposition, etch, and clean.

Ms. O'Dowd's Individual Performance Factor for calendar year 2016 was based on the accomplishment of strategic, operational, and organizational development goals for the legal department.

In consideration of the CEO's assessment of each individual's achievements and the teamwork demonstrated to deliver the overall strong company performance in 2016, the committee exercised discretion such that each NEO received an Individual Performance Factor of 1.29 (equal to the Corporate Performance Factor) for the 2016 calendar year.

**2016 Annual Incentive Program Payout Decisions.** In February 2017, in light of the Funding Factor results and based on the above results and decisions, the committee approved the following payouts for the calendar year 2016 annual incentive program for each NEO, which were substantially less than the maximum payout available under the Funding Factor:

**Figure 19. CY2016 Annual Incentive Program Payouts**

Named Executive Officer	Target Award Opportunity (% of Base Salary)	Maximum Payout under Target Award Funding Factor (225.0% of Opportunity Target Award Opportunity)		Actual Payouts
		Target Award Opportunity (\$) <sup>(1)</sup>	Maximum Payout under Funding Factor (225.0% of Opportunity Target Award Opportunity) (\$) <sup>(2)</sup>	
Martin B. Anstice	150	1,440,000	3,240,000	2,396,304
Timothy M. Archer	110	700,194	1,575,437	1,165,193
Douglas R. Bettinger	90	510,300	1,148,175	849,190
Richard A. Gottscho	90	500,580	1,126,305	833,015
Sarah A. O'Dowd	80	359,100	807,975	597,578

<sup>(1)</sup> Calculated by multiplying each NEO's annual base salary for the calendar year 2016 by his or her respective target award opportunity percentage.

<sup>(2)</sup> The Funding Factor resulted in a potential payout of up to 225.0% of target award opportunity for the calendar year (based on the actual non-GAAP operating income percentage results detailed under *2016 Annual Incentive Program Corporate Performance Factor* above and the specific goals set forth in the second paragraph under *Annual incentive program components* above).

*Continues on next page* <sup>u</sup>

**Table of Contents****Calendar year 2017 annual incentive program parameters**

In February 2017, the committee set the target award opportunity for each NEO as a percentage of base salary, and consistent with prior years set a cap on payments equal to 2.25 times the target award opportunity. The target award opportunity for each NEO is shown below.

**Figure 20. CY2017 Annual Incentive Program Target Award Opportunities**

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

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

***Long-Term Incentive Program*****Design**

Our long-term incentive program, or LTIP, is designed to attract and retain top talent, provide competitive levels of compensation, align pay with achievement of business objectives and with stock performance over a multi-year period, reward our NEOs for outstanding Company performance, and create stockholder value over the long term.

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

long-term incentive program will be 90% performance-based.

**Table of Contents****Equity Vehicles**

The equity vehicles used in our 2017/2019 long-term incentive program are as follows:

**Figure 21. 2017/2019 LTIP Program Equity Vehicles**

Equity Vehicles	% of Target Award Opportunity	Terms
Market-based PRSUs	50	Awards cliff vest three years from the March 1, 2017 grant date, or Grant Date, subject to satisfaction of a minimum performance requirement and continued employment. Cliff, rather than annual, vesting provides for both retention and for aligning NEOs with longer-term stockholder interests.

The performance period for Market-based PRSUs is three years from the first business day in February (February 1, 2017 through January 31, 2020).

The number of shares represented by the Market-based PRSUs that can be earned over the performance period is based on our stock price performance compared to the market price performance of the Philadelphia Semiconductor Sector Index (SOX), subject to the below-referenced ceiling. The stock price performance or market price performance is measured using the closing price for the 50 trading days prior to the dates the performance period begins and ends. The target number of shares represented by the Market-based PRSUs is increased by 2% of target for each 1% that Lam's stock price performance exceeds the market price performance of the SOX index; similarly, the target number of shares represented by the Market-based PRSUs is decreased by 2% of target for each 1% that Lam's stock price performance trails the market price performance of the SOX index. The result of the vesting formula is rounded down to the nearest whole number. A table reflecting the potential payouts depending on various comparative results is shown in Figure 22 below.

The final award cannot exceed 150% of target (requiring a positive percentage change in the Company's stock price performance compared to that of the market price performance of the SOX index equal to or greater than 25 percentage points) and can be as little as 0% of target (requiring a percentage change in the Company's stock price performance compared to that of the market price performance of the SOX index equal to or lesser than negative 50 percentage points).



The number of Market-based PRSUs granted was determined by dividing 50% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, \$115.81, rounded down to the nearest share.

Awards that vest at the end of the performance period are distributed in shares of our common stock.

<p><b>Stock Options</b></p>	<p>10</p>	<p>Awards vest one-third on the first, second, and third anniversaries of the March 1, 2017 grant date, or Grant Date, subject to continued employment.</p> <p>The number of stock options granted is determined by dividing 10% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, \$115.81, rounded down to the nearest share and multiplying the result by four. The ratio of four options for every RSU is based on a Black Scholes fair value accounting analysis.</p> <p>Awards are exercisable upon vesting.</p> <p>Expiration is on the seventh anniversary of the Grant Date.</p>
<p><b>RSUs</b></p>	<p>40</p>	<p>Awards vest one-third on the first, second, and third anniversaries of the March 1, 2017 grant date, or Grant Date, subject to continued employment.</p> <p>The number of RSUs granted is determined by dividing 40% of the target opportunity by the 30-day average of the closing price of our common stock prior to the Grant Date, \$115.81, rounded down to the nearest share.</p> <p>Awards are distributed in shares of our common stock upon vesting.</p>

*Continues on next page* <sup>u</sup>

**Table of Contents****Figure 22. Market-based PRSU Vesting Summary**

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

<sup>(1)</sup> As set forth in the third bullet of the first row of Figure 21, the results of the vesting formula (reflecting the number of Market-Based PRSUs that can be earned) are linearly interpolated between the stated percentages using the described formula.

**Target Award Opportunity**

Under the long-term incentive program, the committee sets a target award opportunity for each participant based on the NEO's position and responsibilities and an assessment of competitive compensation data. The target award opportunities for each participant are expressed in a U.S. dollar value. The target amounts for each NEO under the program cycles affecting fiscal year 2017 are as follows:

**Figure 23. LTIP Target Award Opportunities**

<b>Named Executive Officer</b>	<b>Long-Term Incentive Program</b>	<b>Target Award Opportunity (\$)</b>
Martin B. Anstice	2017/2019 <sup>(1)</sup>	8,000,000
	2016/2018 <sup>(2)</sup>	7,500,000
	2015/2017 <sup>(3)</sup>	6,750,000
	2014/2016 <sup>(4)</sup>	6,500,000
Timothy M. Archer	2017/2019 <sup>(1)</sup>	4,500,000
	2016/2018 <sup>(2)</sup>	4,000,000
	2015/2017 <sup>(3)</sup>	3,500,000
	2014/2016 <sup>(4)</sup>	3,000,000
Douglas R. Bettinger	2017/2019 <sup>(1)</sup>	2,750,000
	2016/2018 <sup>(2)</sup>	2,750,000
	2015/2017 <sup>(3)</sup>	2,500,000
	2014/2016 <sup>(4)</sup>	2,500,000
Richard A. Gottscho	2017/2019 <sup>(1)</sup>	3,250,000
	2016/2018 <sup>(2)</sup>	3,250,000

Sarah A. O Dowd	2015/2017 <sup>(3)</sup>	3,000,000
	2014/2016 <sup>(4)</sup>	2,500,000
	2017/2019 <sup>(1)</sup>	1,400,000
	2016/2018 <sup>(2)</sup>	1,400,000
	2015/2017 <sup>(3)</sup>	1,300,000
	2014/2016 <sup>(4)</sup>	1,300,000

(1) The three-year performance period for the 2017/2019 LTIP began on February 1, 2017 and ends on January 31, 2020.

(2) The three-year performance period for the 2016/2018 LTIP began on February 1, 2016 and ends on January 31, 2019.

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

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

#### Calendar Year 2014/2016 LTIP Award Parameters and Payouts

On February 18, 2014, the committee granted to each NEO as part of the calendar year 2014/2016 long-term incentive program, or 2014/2016 LTIP Awards, Market-based PRSUs, and service-based RSUs and stock options with a total target award opportunity shown below. The service-based RSUs and stock options vested over three years, one-third on each anniversary of the grant date. The Market-based PRSU s cliff vested three years from the grant date.

**Figure 24. 2014/2016 LTIP Awards**

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

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

In February 2017, the committee determined the payouts for the calendar year 2014/2016 LTIP Awards of Market-based PRSUs. The number of shares represented by the Market-based PRSUs earned over the performance period was based on our stock price performance compared to the market price performance of the SOX index.

Based on the above formula and Market-based PRSU Vesting Summary set forth in Figures 21-22, the Company's stock price performance over the three-year performance period was equal to 110.32% and performance of the SOX index (based on market price) over the same three-year performance period was equal to 76.27%. While Lam's stock price outperformed the SOX index by 34.05%, which would have resulted in a performance payout of 168% to target under our Market-based PRSU program, the actual number of shares paid represented by the Market-based PRSUs was limited to the maximum payout of 150% of the target number of Market-based PRSUs granted to each NEO. Based on such

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results, the committee made the following payouts to each NEO for the 2014/2016 LTIP Award of Market-based PRSUs.

**Figure 25. 2014/2016 LTIP Market-based PRSU Award Payouts**

Named Executive Officer	Target Market-Based PRSUs	Payout (equal to Maximum Payout) of Market-Based PRSUs 150% Target Award Opportunity
	(#)	(#)
Martin B. Anstice	62,789	94,183
Timothy M. Archer	28,979	43,468
Douglas R. Bettinger	24,149	36,223
Richard A. Gottscho	24,149	36,223
Sarah A. O Dowd	12,557	18,835

**Calendar Year 2017 LTIP Awards**

*Calendar year 2017 decisions for the 2017/2019 long-term incentive program.* On March 1, 2017, the committee made a grant under the 2017/2019 long-term incentive program, of Market-based PRSUs, stock options, and service-based RSUs on the terms set forth in Figure 21 with a combined value equal to the NEO's total target award opportunity, as shown in the following table.

**Figure 26. 2017/2019 LTIP Awards**

Named Executive Officer	Target Award Opportunity	Market-Based PRSUs <sup>(1)</sup>	Stock Options Award	Service-Based RSUs Award
	Award (\$)	(#)	(#)	(#)
Martin B. Anstice	8,000,000	34,539	27,628	27,631
Timothy M. Archer	4,500,000	19,428	15,540	15,542
Douglas R. Bettinger	2,750,000	11,872	9,496	9,498
Richard A. Gottscho	3,250,000	14,031	11,224	11,225
Sarah A. O Dowd	1,400,000	6,044	4,832	4,835

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

***Employment/Change in Control Arrangements***

The Company enters into employment/change in control agreements to help attract and retain our NEOs and believes that these agreements facilitate a smooth transaction and transition planning in connection with change in control events. Effective January 2015, the Company entered into new three-year term employment agreements with Messrs. Anstice, Archer, and Bettinger and Dr. Gottscho, and a new change in control agreement with Ms. O Dowd. The employment agreements generally provide for designated

payments in the event of an involuntary termination of employment, death or disability, as such terms are defined in the applicable agreements. The employment agreements, and also the change in control agreements, generally provide for designated payments in the case of a change in control when coupled with an involuntary termination (i.e., a double trigger is required before payment is made due to a change in control), as such terms are defined in the applicable agreements.

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

#### *Other Benefits Not Available to All Employees*

#### *Elective Deferred Compensation Plan*

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

#### *Supplemental Health and Welfare*

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

We also provide post-retirement medical and dental insurance coverage for eligible former executive officers under our Retiree Health Plans, subject to certain eligibility requirements. The program was closed to executive officers who joined the Company or became executive officers through promotion effective on or after January 1, 2013. We have an independent actuarial valuation of post-retirement benefits for eligible NEOs conducted annually in accordance with generally accepted accounting principles. The most recent valuation was conducted in June 2016 and reflected the following retirement benefit obligation for the NEOs:



**Table of Contents****Figure 27. NEO Post-Retirement Benefit Obligations**

<b>Named Executive Officer</b>	<b>As of June 25, 2017 (\$)</b>
Martin B. Anstice	681,000
Timothy M. Archer	737,000
Douglas R. Bettinger <sup>(1)</sup>	
Richard A. Gottscho	697,000
Sarah A. O Dowd	558,000

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

**IV. TAX AND ACCOUNTING CONSIDERATIONS*****Deductibility of Executive Compensation***

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

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

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

To facilitate the deductibility of compensation payments under section 162(m):



in fiscal year 2004, we initially adopted the Executive Incentive Plan, or EIP, and obtained stockholder approval for the EIP at that time. We most recently received stockholder approval for the EIP at our annual stockholder meeting in 2015.

in fiscal year 2016, we initially adopted the Lam 2015 Stock Incentive Plan, or SIP and obtained stockholder approval for the SIP at our annual stockholder meeting in 2015.

The annual program awards to our NEOs are generally administrated under the AIP and intended to qualify for deductibility under section 162(m) to the extent practicable.

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

#### *Taxation of Parachute Payments*

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

We did not provide any of our executive officers, any director, or any other service provider with a gross-up or other reimbursement payment for any tax liability that the individual might owe as a result of the application of sections 280G or 4999 during fiscal year 2017, and we have not agreed and are not otherwise obligated to provide any individual with such a gross-up or other reimbursement as a result of the application of sections 280G and 4999.

#### *Internal Revenue Code Section 409A*

Section 409A of the Code imposes significant additional taxes on an executive officer, director, or service provider that

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receives non-compliant deferred compensation that is within the scope of section 409A. Among other things, section 409A potentially applies to the cash awards under the LTIP, the Elective Deferred Compensation Plan, certain equity awards, and severance arrangements.

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

## ***Accounting for Stock-Based Compensation***

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

## ***Compensation Committee Report***

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis

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

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

## **MEMBERS OF THE COMPENSATION COMMITTEE**

*Youssef A. El-Mansy*

*Catherine P. Lego (Chair)*

*Abhijit Y. Talwalkar*

## ***Compensation Committee Interlocks and Insider Participation***

None of the compensation committee members has ever been an officer or employee of Lam Research. No interlocking relationship exists as of the date of this proxy statement or existed during fiscal year 2017 between any member of our compensation committee and any member of any other company's board of directors or compensation committee.

*Continues on next page* <sup>u</sup>

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**Table of Contents****Executive Compensation Tables**

The following tables (Figures 28-33) show compensation information for our named executive officers:

**Figure 28. Summary Compensation Table**

Summary Compensation Table								
Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Options Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
					(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$) <sup>(4)</sup>	(\$)
Martin B. Anstice <i>President and</i>	2017	969,808		7,023,914	758,314	2,396,304 <sup>(6)</sup>	10,541	11,158,881
	2016	937,789		6,175,315	1,224,848	2,207,558 <sup>(7)</sup>	10,521	10,556,031
<i>Chief Executive Officer</i>	2015	906,646		5,849,027	558,635	3,839,904 <sup>(8)</sup>	10,527	11,164,739
	2017	646,945		3,950,881	426,531	1,165,193 <sup>(6)</sup>	11,301	6,200,851
Timothy M. Archer <i>Executive Vice President and</i>	2016	624,061		3,293,501	653,260	1,079,250 <sup>(7)</sup>	10,689	5,660,761
	2015	604,431		3,032,808	289,658	2,114,132 <sup>(9)</sup>	10,543	6,051,572
Douglas R. Bettinger <i>Chief Operating Officer</i>	2017	572,561		2,414,365	260,640	849,190 <sup>(6)</sup>	7,983	4,104,739
	2016	548,827		2,264,175	449,109	771,574 <sup>(7)</sup>	8,080	4,041,765
<i>Executive Vice President and</i>	2015	528,692		2,166,214	206,870	1,450,547 <sup>(10)</sup>	8,017	4,360,340
	2017	559,837	6,171 <sup>(5)</sup>	2,853,402	362,059	833,015 <sup>(6)</sup>	9,307	4,623,791
Richard A. Gottscho <i>Chief Financial Officer</i>	2016	545,296	9,600 <sup>(5)</sup>	2,675,862	606,262	771,574 <sup>(7)</sup>	9,082	4,617,676
	2015	528,692	5,867 <sup>(5)</sup>	2,599,550	312,531	1,482,521 <sup>(11)</sup>	9,398	4,938,559
Sarah A. O Dowd <i>Executive Vice President,</i>	2017	453,277		1,229,100	155,869	597,578 <sup>(6)</sup>	8,082	2,443,906
	2016	434,488		1,152,683	261,125	542,959 <sup>(7)</sup>	7,259	2,398,514
<i>Global Products</i>	2015	418,077		1,126,410	135,357	956,427 <sup>(12)</sup>	7,551	2,643,822
	2017	418,077		1,126,410	135,357	956,427 <sup>(12)</sup>	7,551	2,643,822

(1) The amounts shown in this column represent the value of service-based and market-based performance RSU awards, under the LTIP, granted in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of the RSUs in fiscal year 2017 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2017. For additional details regarding the grants see *FY2017 Grants of Plan-Based Awards* table below.

(2) The amounts shown in this column represent the value of the stock option awards granted, under the LTIP, in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the

probability of forfeiture. The assumptions used to calculate the fair value of stock options in fiscal year 2017 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2017. For additional details regarding the grants see *FY2017 Grants of Plan-Based Awards* table below.

- (3) Includes the long-term cash awards, which ceased being granted in calendar year 2015 (as discussed in further detail in the *III. Primary Components of Named Executive Officer Compensation; Calendar Year 2014 Compensation Payouts; Calendar Year 2015 Compensation Targets and Metrics* *Historic LTIP Design* section of the 2015 proxy statement), under the previously designed long-term incentive programs for our performance during the relevant periods.
- (4) Please refer to *FY2017 All Other Compensation Table* which immediately follows this table, for additional information.
- (5) Represents patent awards.
- (6) Represents the amount earned by and subsequently paid under the calendar year 2016 Annual Incentive Program, or AIP.
- (7) Represents the amount earned by and subsequently paid under the calendar year 2015 Annual Incentive Program, or AIP.
- (8) Represents \$1,708,290 earned by and subsequently paid to Mr. Anstice under the calendar year 2014 Annual Incentive Program, or AIP, and \$2,131,614 accrued on his behalf for the performance during fiscal year 2015 under the calendar year 2013/2014 Long-Term Incentive Program, or LTIP-Cash. Mr. Anstice has received the amounts accrued under the calendar year 2013/2014 LTIP-Cash.
- (9) Represents \$835,164 earned by and subsequently paid to Mr. Archer under the calendar year 2014 AIP and \$1,278,968 accrued on his behalf for the performance during fiscal year 2015 under the calendar year 2013/2014 Long-Term Incentive Program, or LTIP-Cash. Mr. Archer has received the amount accrued under the calendar year 2013/2014 LTIP-Cash.
- (10) Represents \$597,902 earned by and subsequently paid to Mr. Bettinger under the calendar year 2014 AIP and \$852,645 accrued on his behalf for the performance during fiscal year 2015 under the calendar year 2013/2014 Long-Term Incentive Program, or LTIP-Cash. Mr Bettinger has received the amount accrued under the calendar year 2013/2014 LTIP-Cash program.
- (11) Represents \$597,902 earned by and subsequently paid to Dr. Gottscho under the calendar year 2014 AIP and \$884,619 accrued on his behalf for the performance during fiscal year 2015 under the calendar year 2013/2014 Long-Term Incentive Program, or LTIP-Cash. . Dr. Gottscho has received the amount accrued under the calendar year 2013/2014 LTIP-Cash.

- (12) Represents \$420,113 earned by and subsequently paid to Ms. O Dowd under the calendar year 2014 AIP and \$536,314 accrued on her behalf for the performance during fiscal year 2015 under the calendar year 2013/2014 Long-Term Incentive Program, or LTIP-Cash. Ms. O Dowd has received the amount accrued under the calendar year 2013/2014 LTIP-Cash.

**Table of Contents****Figure 29. FY2017 All Other Compensation Table**

All Other Compensation Table for Fiscal Year 2017					
	Company Matching Contribution to the Company's Section 401 (k) Plan (\$)	Company Paid Long-Term Disability Insurance Premiums <sup>(1)</sup> (\$)	Company Paid Life Insurance Premiums <sup>(2)</sup> (\$)	Company Contribution to the Elective Deferred Compensation Plan (\$)	Total (\$)
Martin B. Anstice	8,041			2,500	10,541
Timothy M. Archer	8,801			2,500	11,301
Douglas R. Bettinger	7,983				7,983
Richard A. Gottscho	8,133	1,174			9,307
Sarah A. O Dowd	5,407		175	2,500	8,082

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

<sup>(2)</sup> Represents the portion of life insurance premiums paid by Lam in excess of the non-discriminatory life insurance benefits provided to all Company employees.

**Figure 30. FY2017 Grants of Plan-Based Awards**

Grants of Plan-Based Awards for Fiscal Year 2017											
Name	Award Type	Grant Date	Approved Date	Estimated Future Payouts Under Non- Equity Incentive Plan Awards		Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fiscal Year Value of Stock and Option Awards (\$)
				Target (\$) <sup>(1)</sup>	Maximum (\$) <sup>(1)</sup>	Target (#) <sup>(2)</sup>	Maximum (#) <sup>(2)</sup>				
Martin B. Anstice	Annual Incentive Program	N/A	2/8/17	1,485,000	3,341,250						
	LTIP-Equity										
	Market-based PRSUs	3/1/17	2/8/17			34,539 <sup>(4)</sup>	51,808 <sup>(4)</sup>				3,859,731
	Service-based RSUs	3/1/17	2/8/17					27,631 <sup>(5)</sup>			3,164,180
	Stock Options	3/1/17	2/8/17						27,628 <sup>(6)</sup>	119.67	758,310
		N/A	2/7/17	735,204	1,654,208						

mothy cher	Annual Incentive Program LTIP-Equity								
	<i>Market-based</i>								
	<i>PRsUs</i>	3/1/17	2/7/17		19,428 <sup>(4)</sup>	29,142 <sup>(4)</sup>			2,171,07
	<i>Service-based</i>								
	<i>RSUs</i>	3/1/17	2/7/17			15,542 <sup>(5)</sup>			1,779,80
ouglas ttinger	<i>Stock Options</i>	3/1/17	2/7/17				15,540 <sup>(6)</sup>	119.67	426,53
	Annual Incentive Program LTIP-Equity	N/A	2/7/17	525,609	1,182,620				
	<i>Market-based</i>								
	<i>PRsUs</i>	3/1/17	2/7/17		11,872 <sup>(4)</sup>	17,808 <sup>(4)</sup>			1,326,69
	<i>Service-based</i>								
chard ottscho	<i>RSUs</i>	3/1/17	2/7/17			9,498 <sup>(5)</sup>			1,087,66
	<i>Stock Options</i>	3/1/17	2/7/17				9,496 <sup>(6)</sup>	119.67	260,64
	Annual Incentive Program LTIP-Equity	N/A	2/7/17	510,592	1,148,831				
	<i>Market-based</i>								
	<i>PRsUs</i>	3/1/17	2/7/17		14,031 <sup>(4)</sup>	21,046 <sup>(4)</sup>			1,567,96
rah A. Dowd	<i>Service-based</i>								
	<i>RSUs</i>	3/1/17	2/7/17			11,225 <sup>(5)</sup>			1,285,43
	<i>Stock Options</i>	3/1/17	2/7/17				11,224 <sup>(6)</sup>	119.67	362,05
	Annual Incentive Program LTIP-Equity	N/A	2/7/17	369,873	832,214				
	<i>Market-based</i>								
	<i>PRsUs</i>	3/1/17	2/7/17		6,044 <sup>(4)</sup>	9,066 <sup>(4)</sup>			675,41
	<i>Service-based</i>								
	<i>RSUs</i>	3/1/17	2/7/17			4,835 <sup>(5)</sup>			553,68
	<i>Stock Options</i>	3/1/17	2/7/17				4,832 <sup>(6)</sup>	119.67	155,86

(1) The AIP target and maximum estimated future payouts reflected in this table were calculated using the base salary approved in February 2017, effective as of February 27, 2017. Awards payouts range from 0% to 225% of target.

(2) The amounts reported represent the target and maximum number of Market-based PRSUs that may vest on the terms described in *Executive Compensation and Other Information – Compensation Discussion and Analysis* above. The number of shares that may be earned is equal to 0% to 150% of target.

*Continues on next page* <sup>u</sup>





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- (3) The amounts reported represent the fair value of Market-based PRSU, service-based RSU and stock option awards granted during fiscal year 2017 in accordance with ASC 718. However, pursuant to SEC rules, these values are not reduced by an estimate for the probability of forfeiture. The assumptions used to calculate the fair value of awards granted during fiscal year 2017 are set forth in Note 4 to the Consolidated Financial Statements of the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2017.
- (4) The Market-based PRSUs vest on March 1, 2020, subject to continued employment. The actual conversion of Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of the target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.
- (5) One-third of the RSUs will vest on March 1 of each of 2018, 2019 and 2020, subject to continued employment.
- (6) One-third of the stock options will become exercisable on March 1 of each of 2018, 2019 and 2020, subject to continued employment.

**Figure 31. FYE2017 Outstanding Equity Awards**

Outstanding Equity Awards at 2017 Fiscal Year-End								
Option Awards					Stock Awards			
					Equity Incentive Plan Awards:			
					Number of Unearned Shares, Units or Other Rights That Have Vested			
					Equity Incentive Plan Awards: Market or Unearned Payout Value of Shares, Units or Other Rights That Have Vested			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Number of Units of Stock That Have Not Vested	Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Number of Shares, Units or Other Rights That Have Vested	Vested (\$) <sup>(1)</sup>
Name	(#)	(#)	(%)	Date	(#)	(%) <sup>(1)</sup>	(#)	(%) <sup>(1)</sup>
		27,628 <sup>(2)</sup>	119.67	3/1/24				
					27,631 <sup>(3)</sup>	4,193,833		
							34,539 <sup>(4)</sup>	5,242,329
	21,701 <sup>(5)</sup>	43,402 <sup>(5)</sup>	75.57	3/1/23	21,702 <sup>(6)</sup>	3,293,930		
Martin B. Anstice							54,253 <sup>(7)</sup>	8,234,520
	16,748 <sup>(8)</sup>	8,374 <sup>(8)</sup>	80.60	2/11/22	11,166 <sup>(9)</sup>	1,694,775		
							41,873 <sup>(10)</sup>	6,355,484

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	25,114 <sup>(11)</sup>		51.76	2/18/21				
	18,834 <sup>(12)</sup>		51.76	2/18/21				
		15,540 <sup>(2)</sup>	119.67	3/1/24				
					15,542 <sup>(3)</sup>	2,358,965		
							19,428 <sup>(4)</sup>	2,948,782
	11,574 <sup>(5)</sup>	23,148 <sup>(5)</sup>	75.57	3/1/23				
					11,574 <sup>(6)</sup>	1,756,702		
Timothy M. Archer							28,935 <sup>(7)</sup>	4,391,754
	8,684 <sup>(8)</sup>	4,342 <sup>(8)</sup>	80.60	2/11/22				
					5,790 <sup>(9)</sup>	878,806		
							21,712 <sup>(10)</sup>	3,295,447
	17,385 <sup>(11)</sup>		51.76	2/18/21				
	8,691 <sup>(12)</sup>		51.76	2/18/21				
		9,496 <sup>(2)</sup>	119.67	3/1/24				
					9,498 <sup>(3)</sup>	1,441,606		
							11,872 <sup>(4)</sup>	1,801,932
	7,957 <sup>(5)</sup>	15,914 <sup>(5)</sup>	75.57	3/1/23				
					7,957 <sup>(6)</sup>	1,207,713		
Douglas R. Bettinger							19,892 <sup>(7)</sup>	3,019,208
	6,202 <sup>(8)</sup>	3,101 <sup>(8)</sup>	80.60	2/11/22				
					4,136 <sup>(9)</sup>	627,762		
							15,508 <sup>(10)</sup>	2,353,804
	9,658 <sup>(11)</sup>		51.76	2/18/21				
	7,242 <sup>(12)</sup>		51.76	2/18/21				

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Outstanding Equity Awards at 2017 Fiscal Year-End								
Option Awards					Stock Awards			
					Equity Incentive Plan Awards:			
					Number of Unearned Shares, Units or Other Rights That Have Not Vested			
					Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(1)</sup>	Number of Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(1)</sup>
Richard A. Gottscho		11,224 <sup>(2)</sup>	119.67	3/1/24	11,225 <sup>(3)</sup>	1,703,731	14,031 <sup>(4)</sup>	2,129,625
		18,806 <sup>(5)</sup>	75.57	3/1/23	9,404 <sup>(6)</sup>	1,427,339	23,509 <sup>(7)</sup>	3,568,196
		3,722 <sup>(8)</sup>	80.60	2/11/22	4,963 <sup>(9)</sup>	753,284	18,610 <sup>(10)</sup>	2,824,626
		4,832 <sup>(2)</sup>	119.67	3/1/24	4,835 <sup>(3)</sup>	733,856	6,044 <sup>(4)</sup>	917,358
	4,050 <sup>(5)</sup>	8,100 <sup>(5)</sup>	75.57	3/1/23	4,051 <sup>(6)</sup>	614,861	10,127 <sup>(7)</sup>	1,537,076
Sarah A. O Dowd	3,224 <sup>(8)</sup>	1,612 <sup>(8)</sup>	80.60	2/11/22	2,151 <sup>(9)</sup>	326,479	8,064 <sup>(10)</sup>	1,223,954
	7,533 <sup>(11)</sup>		51.76	2/18/21				
	3,765 <sup>(12)</sup>		51.76	2/18/21				
	22,140 <sup>(13)</sup>		42.61	2/8/20				

<sup>(1)</sup> Calculated by multiplying the number of unvested shares by \$151.78 the closing price per share of our common stock on June 23, 2017.

<sup>(2)</sup> The stock options were granted on March 1, 2017. One-third of the stock options will become exercisable on March 1 of each 2018, 2019 and 2020, subject to continued employment.

- (3) The RSUs were granted on March 1, 2017. One-third of the RSUs will vest on March 1 of each of 2018, 2019 and 2020, subject to continued employment.
- (4) The Market-based PRSUs were granted on March 1, 2017. The Market-based PRSUs will vest on March 1, 2020, subject to continued employment. The Market-based PRSUs are shown at their target amount. The actual conversion of the Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.
- (5) The stock options were granted on March 1, 2016. As of the 2017 fiscal year end, one-third of the stock options had become exercisable. One-third of the stock options will become exercisable on March 1 of each 2018 and 2019, subject to continued employment.
- (6) The RSUs were granted on March 1, 2016. As of the 2017 fiscal year end, one-third of the RSUs vested. One-third of the RSUs will vest on March 1 of each 2018 and 2019, subject to continued employment.
- (7) The Market-based PRSUs were granted on March 1, 2016. The Market-based PRSUs will vest on March 1, 2019, subject to continued employment. The Market-based PRSUs are shown at their target amount. The actual conversion of the Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.
- (8) The stock options were granted on February 11, 2015. As of the 2017 fiscal year end, two-thirds of the stock options had become exercisable. One-third of the stock options will become exercisable on February 11, 2018, subject to continued employment.
- (9) The RSUs were granted on February 11, 2015. As of the 2017 fiscal year end, two-thirds of the RSUs vested. One-third of the RSUs will vest on February 11, 2018, subject to continued employment.
- (10) The Market-based PRSUs were granted on February 11, 2015. The Market-based PRSUs will vest on February 11, 2018, subject to continued employment. The Market-based PRSUs are shown at their target amount. The actual conversion of the Market-based PRSUs into shares of Lam common stock following the conclusion of the three-year performance period will range from 0% to 150% of that target amount, depending upon Lam's stock price performance compared to the market price performance of the SOX index over the applicable three-year performance period.

*Continues on next page* <sup>u</sup>

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- (11) Stock options were granted on February 18, 2014. As of the 2017 fiscal year-end, the stock options had become exercisable.
- (12) Stock options were granted as part of the Gap Year Award on February 18, 2014. As of the 2017 fiscal year end, the stock options had become exercisable.
- (13) Stock options were granted on February 8, 2013. As of the 2017 fiscal year-end, the stock options had become exercisable.

**Figure 32. FY2017 Option Exercises and Stock Vested**

Option Exercises and Stock Vested for Fiscal Year 2017 <sup>(1)</sup>				
Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Martin B. Anstice			132,943	15,339,076
Timothy M. Archer	93,303	7,267,322	62,773	7,246,533
Douglas R. Bettinger			50,776	5,857,645
Richard A. Gottscho	75,098	4,297,581	52,327	6,040,206
Sarah A. O Dowd			26,359	3,040,652

- (1) The table shows all stock options exercised and the value realized upon exercise, and all stock awards vested and the value realized upon vesting, by the NEOs during fiscal year 2017, which ended on June 25, 2017.

**Figure 33. FY2017 Non-Qualified Deferred Compensation**

Non-Qualified Deferred Compensation for Fiscal Year 2017				
Name	Executive Contributions in FY 2017 (\$) <sup>(1)</sup>	Registrant Contributions in FY 2017 (\$) <sup>(2)</sup>	Aggregate Earnings in FY 2017 (\$) <sup>(3)</sup>	Aggregate Balance at FYE 2017 (\$) <sup>(4)</sup>
Martin B. Anstice	446,676	2,500	648,568	5,710,357
Timothy M. Archer	452,881	2,500	434,527	4,853,074
Douglas R. Bettinger	14,437		339,673	1,785,235
Richard A. Gottscho			108,624	2,041,887
Sarah A. O Dowd	843,918	2,500	830,603	8,438,827

(1)

The entire amount of each executive's contributions in fiscal year 2017 is reported in each respective NEO's compensation in our fiscal year 2017 *Summary Compensation Table*.

- (2) Represents the amount that Lam credited to the Elective Deferred Compensation Plan, the EDCP, which is 3% of Executive Salary Contribution during calendar year 2016, to a maximum benefit of \$2,500. These amounts are included in the *Summary Compensation Table* and *All Other Compensation Table For Fiscal Year 2017*.
- (3) The NEOs did not receive above-market or preferential earnings in fiscal year 2017.
- (4) The fiscal year-end balance includes \$4,612,613 for Mr. Anstice, \$3,963,166 for Mr. Archer, \$1,431,125 for Mr. Bettinger, \$1,933,263 for Dr. Gottscho, and \$6,761,806 for Ms. O Dowd that were previously reported in the *Non-Qualified Deferred Compensation for Fiscal Year 2016* table in our 2016 proxy statement.

### *Potential Payments upon Termination or Change in Control*

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

#### **Executive Employment Agreements**

*Martin B. Anstice.* The Company and Mr. Anstice entered into an employment agreement, or the agreement, effective January 1, 2015, for a term ending on December 31, 2017, subject to the right of the Company or Mr. Anstice, under certain circumstances, to terminate the agreement prior to such time.

Under the terms of the agreement, Mr. Anstice receives a base salary, which is reviewed annually and potentially adjusted. It was initially set at the beginning of the term of the agreement at \$900,000. Mr. Anstice is also entitled to participate in any short-term or long-term variable compensation programs offered by the Company to its executive officers generally, subject to the applicable terms and conditions of those programs and the approval of the independent members of the Board, and to participate in the Company's Elective Deferred Compensation Plan. Mr. Anstice receives other benefits, such as health insurance, paid time off (as his schedule permits), and benefits under other plans and programs generally applicable to executive officers of the Company.

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If an Involuntary Termination (as defined in Mr. Anstice's agreement) of Mr. Anstice's employment occurs, other than in connection with a Change in Control (as defined in Mr. Anstice's agreement), Mr. Anstice will be entitled to: (1) a lump-sum cash payment equal to 18 months of his then-current base salary, plus an amount equal to the average of the last five annual payments made to Mr. Anstice under the short term variable compensation program or any predecessor or successor programs (the Short Term Program, and such average, the Five-Year Average Amount), plus an amount equal to the pro-rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro-rata portion to be calculated based on the performance results achieved under the Short Term Program and the number of full months elapsed prior to the termination date; (2) payment of any amounts accrued as of the date of termination under any long-term, cash-based variable-compensation programs of the Company (the Long Term Cash Programs); (3) certain medical benefits; (4) a cash payment equal to a product of (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-based PRSU/performance-based RSU awards granted to Mr. Anstice as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time of service and (y) the closing stock price on the date of termination; and (5) vesting, as of the date of termination, of a pro rata portion of the unvested stock option or RSU awards that are not performance based granted to Mr. Anstice at least 12 months prior to the termination date.

If a Change in Control of the Company (as defined in Mr. Anstice's agreement) occurs during the period of Mr. Anstice's employment, and if there is an Involuntary Termination of Mr. Anstice's employment either in contemplation of or within the 18 months following the Change in Control, Mr. Anstice will be entitled to: a lump-sum cash payment equal to 24 months of Mr. Anstice's then-current base salary, plus an amount equal to two times the Five-Year Average Amount, plus an additional amount equal to a pro rata amount (based on the number of full months worked during the calendar year during which the termination occurs) of the Five-Year Average Amount; certain medical benefits; conversion of any Market-based PRSUs/performance-based RSUs outstanding as of the Change in Control into a cash award payable at time of termination equal to the sum of: (x) a pro rata portion (based on time of service as of the date of termination) of the unvested Market-based PRSU/performance-based RSU awards granted to Mr. Anstice as adjusted for the Company's performance (calculated as set forth in the award agreements) over the time of service and (y) the remainder of the pro-rata portion of unvested Market-based PRSU/performance-based RSU awards at target; vesting, as of the date of termination, of the unvested stock option or RSU awards that are not performance-based

granted to Mr. Anstice prior to the Change in Control; and payment of any amounts accrued as of the Change in Control under any then-existing Long Term Cash Programs, plus an amount equal to the remaining target amount under any then-existing Long Term Cash Programs.

If Mr. Anstice's employment is terminated due to disability or in the event of his death, Mr. Anstice (or his estate) will be entitled to: (1) the pro rata amount he would have earned under the Short Term Program for the calendar year in which his employment is terminated had his employment continued until the end of such calendar year, such pro rata portion to be calculated based on the performance results achieved under the Short Term Program and the number of full months elapsed prior to the termination date; (2) payment of any amounts accrued as of the date of termination under any then-existing Long Term Cash Programs; (3) certain medical benefits; (4) vesting, as of the date of termination, of 50% of the unvested stock option, and RSU awards, which are not performance based, granted to Mr. Anstice prior to the date of termination (or a pro rata amount, based on period of service, if greater than 50%); and (5) vesting, as of the date of termination, of 50% of the Market-based PRSU/performance-based RSU awards (or a pro rata amount, based on period of service, if greater than 50%) as adjusted for the Company's performance during the service period (in either case) granted to Mr. Anstice prior to the date of termination.



If Mr. Anstice voluntarily resigns, he will be entitled to no additional benefits (except as he may be eligible for under the Company's Retiree Health Plans); stock options, RSUs and Market-based PRSUs/performance-based RSUs will cease to vest on the termination date; and stock options will be cancelled unless they are exercised within 90 days after the termination date. All RSUs and Market-based PRSUs/performance-based RSUs will be cancelled on the termination date.

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

*Timothy M. Archer.* The Company and Mr. Archer entered into an employment agreement, or the agreement, effective January 1, 2015, for a term ending on December 31, 2017, subject to the right of the Company or Mr. Archer, under certain circumstances, to terminate the agreement prior to such time. The terms of Mr. Archer's agreement are substantively similar to those of Mr. Anstice's agreement, except that Mr. Archer's initial base salary at the beginning of the term of the agreement was set at \$600,000.

*Continues on next page* <sup>u</sup>

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The severance terms of Mr. Archer's agreement are generally similar to those of Mr. Anstice's agreement, provided that (1) Mr. Archer will receive 12-months base salary instead of 18 months in the event of his Involuntary Termination; and (2) instead of a payment of the Five-Year Average Amount, he will receive a payment of 50% of the Five-Year Average Amount. The Change in Control terms of Mr. Archer's agreement are generally similar to those of Mr. Anstice's agreement, provided that Mr. Archer will receive 18-months base salary instead of 24 months in the event of his Involuntary Termination.

*Douglas R. Bettinger.* The Company and Mr. Bettinger entered into an employment agreement, or the agreement, with a term commencing on January 1, 2015 and ending on December 31, 2017, subject to the right of the Company or Mr. Bettinger, under certain circumstances, to terminate the agreement prior to such time. The terms of Mr. Bettinger's agreement are substantively similar to those of Mr. Archer's agreement, with the following material difference: Mr. Bettinger's initial base salary at the beginning of the term of the agreement was set at \$525,000.

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

*Richard A. Gottscho.* The Company and Dr. Gottscho entered into an employment agreement, or the agreement, effective January 1, 2015, for a term ending on December 31, 2017, subject to the right of the Company or Dr. Gottscho, under certain circumstances, to terminate the agreement prior to such time. The terms of Dr. Gottscho's agreement are substantively similar to those of Mr. Archer's agreement with the following material difference: under Dr. Gottscho's agreement, his initial base salary at the beginning of the term of the agreement was set at \$525,000. The severance and Change in Control terms of Dr. Gottscho's agreement are also generally similar to those of Mr. Archer's agreement.

## **Other Executive Agreements**

The Company entered into a change in control agreement with Ms. O'Dowd effective January 1, 2015, or the agreement, for a term ending on December 31, 2017, subject to the right of

the Company or Ms. O'Dowd, under certain circumstances, to terminate the agreement prior to such time. The agreement provides that if a Change in Control (as defined in Ms. O'Dowd's agreement) of the Company occurs during the period of her employment under the agreement, and there is an Involuntary Termination (as defined in her agreement) of her employment, Ms. O'Dowd will be entitled to payments and benefits substantively similar to those contained in the change in control provisions of Mr. Archer's agreement.

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

## **Equity Plans**

In addition to the above, certain of our stock plans provide for accelerated benefits after certain events. While the applicable triggers under each plan vary, these events generally include: (1) a merger or consolidation in which the Company is not the surviving entity, (2) a sale of substantially all of the Company's assets, including a liquidation or dissolution of the Company, or (3) a change in the ownership of more than 50% of our outstanding securities by

tender offer or similar transaction. After a designated event, the vesting of some or all of awards granted under these plans may be immediately accelerated in full, or certain awards may be assumed, substituted, replaced or settled in cash by a surviving corporation or its parent. The specific treatment of awards in a particular transaction will be determined by the Board and/or the terms of the applicable transaction documents.

#### **Potential Payments to Named Executive Officers upon Termination or Change in Control**

The tables below summarize the potential payments to our NEOs, assuming a change in control of the Company as of the end of fiscal year 2017. These amounts are calculated assuming that the employment termination or change in control occurs on the last day of fiscal year 2017, June 25, 2017. The closing price per share of our common stock on June 23, 2017, which was the last trading day of fiscal year 2017, was \$151.78. The short-term incentive program pro-rata amounts are calculated by multiplying the applicable pro-rata percentage by the target. Actual performance will not be known until the end of calendar year 2017.

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Potential Payments to Mr. Anstice upon Termination or Change in Control as of June 25, 2017					
	Voluntary	Involuntary Termination			
	Termination	Disability	Cause	Cause	Change in
	(\$)	or Death	For	Not for	Control
	(\$)	(\$)	[\$]	(\$)	(\$)
<b>Compensation</b>					
Severance				1,485,000	1,980,000
Short-term Incentive (5-year average)				1,647,767	3,295,533
Short-term Incentive (pro rata)		618,750		618,750	686,569
Long-term Incentives:					
Stock Options (Unvested and Accelerated)		1,469,171		612,145	4,790,863
Service-Based Restricted Stock Units (Unvested and Accelerated)		3,485,324		976,666	9,182,538
Performance-Based Restricted Stock Units (Unvested and Accelerated)		17,589,862		14,377,029	24,601,953
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit		21,543		21,543	21,543
<b>Total</b>		<b>23,184,650</b>		<b>19,738,900</b>	<b>44,558,999</b>

Potential Payments to Mr. Archer upon Termination or Change in Control as of June 25, 2017					
	Voluntary	Involuntary Termination			
	Termination	Disability	Cause	Cause	Change in
	(\$)	or Death	For	Not for	Control
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Compensation</b>					
Severance				668,367	1,002,551
Short-term Incentive (5-year average)				434,643	1,303,929
Short-term Incentive (pro rata)		306,335		306,335	362,203
Long-term Incentives:					
Stock Options (Unvested and Accelerated)		793,543		323,535	2,572,162
Service-Based Restricted Stock Units (Unvested and Accelerated)		1,911,593		512,523	4,994,473
Performance-Based Restricted Stock Units (Unvested and Accelerated)		9,379,428		7,584,386	13,151,331
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit		32,314		32,314	32,314
<b>Total</b>		<b>12,423,213</b>		<b>9,862,103</b>	<b>23,418,963</b>

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Potential Payments to Mr. Bettinger upon Termination or Change in Control as of June 25, 2017					
	Voluntary	Involuntary Termination			
	Termination	Disability or Death	For Cause	Not for Cause	Change in Control
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Compensation</b>					
Severance				584,010	876,015
Short-term Incentive (5-year average)				324,562	973,685
Short-term Incentive (pro rata)		219,004		219,004	270,468
Long-term Incentives:					
Stock Options (Unvested and Accelerated)		529,236		225,177	1,738,452
Service-Based Restricted Stock Units (Unvested and Accelerated)		1,231,986		360,218	3,277,082
Performance-Based Restricted Stock Units (Unvested and Accelerated)		6,390,384		5,276,486	8,925,962
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/COBRA Benefit		23,071		23,071	23,071
<b>Total</b>		<b>8,393,681</b>		<b>7,012,528</b>	<b>16,084,735</b>

Potential Payments to Dr. Gottscho upon Termination or Change in Control as of June 25, 2017					
	Voluntary	Involuntary Termination			
	Termination	Disability or Death	For Cause	Not for Cause	Change in Control
	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Compensation</b>					
Severance				567,324	850,986
Short-term Incentive (5-year average)				304,451	913,352
Short-term Incentive (pro rata)		212,747		212,747	253,709
Long-term Incentives:					
Stock Options (Unvested and Accelerated)		626,813		267,461	2,058,540
Service-Based Restricted Stock Units (Unvested and Accelerated)		1,459,795		429,512	3,884,354
Performance-Based Restricted Stock Units (Unvested and Accelerated)		7,603,676		6,287,212	10,608,953
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/Retiree Health Plans	697,000	697,000	697,000	697,000	697,000
<b>Total</b>	<b>697,000</b>	<b>10,600,031</b>	<b>697,000</b>	<b>8,765,707</b>	<b>19,266,894</b>

Potential Payments to Ms. O Dowd upon Termination or Change in Control as of June 25, 2017					
	Voluntary	Disability or	For	Not for	Change in Control

	Termination	Death	Cause	Cause	(\$)
	(\$)	(\$)	(\$)	(\$)	
<b>Compensation</b>					
Severance					693,512
Short-term Incentive (5-year average)					646,752
Short-term Incentive (pro rata)					179,653
Long-term Incentives:					
Stock Options (Unvested and Accelerated)					887,199
Service-Based Restricted Stock Units (Unvested and Accelerated)					1,675,196
Performance-Based Restricted Stock Units (Unvested and Accelerated)					4,580,062
<b>Benefits and Perquisites</b>					
Health Benefit Continuation/Retiree Health Plans	558,000	558,000	558,000	558,000	558,000
<b>Total</b>	<b>558,000</b>	<b>558,000</b>	<b>558,000</b>	<b>558,000</b>	<b>9,220,374</b>

**Table of Contents****Securities Authorized for Issuance Under Equity Compensation Plans**

The following table provides information as of June 25, 2017, regarding securities authorized for issuance under the Company's equity compensation plans. The Company's equity compensation plans include the 1999 Employee Stock Purchase Plan, the 2007 Stock Incentive Plan, the 2011 Stock Incentive Plan, and the 2015 Stock Incentive Plan, each as amended and as may be amended. Since November 4, 2015, the Company has issued awards under the 1999 Employee Stock Purchase Plan and the 2015 Stock Incentive Plan.

**Figure 39. FYE2017 Securities Authorized for Issuance under Equity Compensation Plans**

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Equity Warrants, and Rights <sup>(1)</sup> (\$) (b)	Number of Securities Remaining Available for Future Issuance Under Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,803,137 <sup>(2)</sup>	66.51	17,565,909 <sup>(3)</sup>
Equity compensation plans not approved by security holders	340,983 <sup>(4)</sup>	80.60	
<b>Total</b>	<b>4,144,120</b>	<b>66.69</b>	<b>17,565,909</b>

<sup>(1)</sup> Does not include RSUs.

<sup>(2)</sup> Includes 1,103,979 shares issuable upon RSU vesting or stock option exercises under the Company's 2007 Stock Incentive Plan, as amended, or the 2007 Plan, and 2,699,158 shares issuable upon RSU vesting or stock option exercises under the Company's 2015 Stock Incentive Plan, as amended, or the 2015 Plan. The 2007 Plan was adopted by the board in August 2006, approved by Lam's stockholders in November 2006, and amended by the board in November 2006 and May 2013 and was retired in November 2015 when Lam's stockholders approved the Company's 2015 Plan. The term of the 2007 Plan and 2015 Plan was 10 years from the last date of any approval, amendment, or restatement of the plan by the Company's stockholders. The 2015 Plan reserves for issuance up to 18,000,000 shares of the Company's common stock.

<sup>(3)</sup> Includes 11,893,338 shares available for future issuance under the 2015 Plan and 5,672,571 shares available for future issuance under the 1999 Employee Stock Purchase Plan, as amended, or the 1999 ESPP. The 1999 ESPP



was adopted by the board in September 1998, approved by Lam's stockholders in November 1998, amended by stockholder approval in November 2003, and most recently amended by the board in November 2012. The term of the 1999 ESPP is 20 years from its effective date of September 30, 1998, unless otherwise terminated or extended in accordance with its terms.

- (4) Includes 340,983 shares issuable upon RSU vesting or stock option exercises under the Company's 2011 Stock Incentive Plan, as amended, or the 2011 Plan. As part of the acquisition of Novellus Systems Inc., Lam assumed the Novellus Systems, Inc. 2011 Stock Incentive Plan. The 2011 Plan was approved by Novellus shareholders before the merger but has not been approved by a separate vote of Lam stockholders. The 2011 Plan was amended by the board in July 2012. The term of the 2011 Plan was 10 years from its effective date of May 10, 2011, unless otherwise terminated or extended in accordance with its terms, and was retired in November 2015 when the 2015 Plan was approved by stockholders.

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### Audit Matters

#### Audit Committee Report

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

In this context and in connection with the audited financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 25, 2017, the audit committee took the following actions:

Received and discussed the audited financial statements with Company management.

Discussed with EY the matters required to be discussed by applicable auditing standards of the Public Company Accounting Oversight Board, or the PCAOB.

Received and discussed the written disclosures and the letter from EY as per applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with EY its independence.

Based on the foregoing reviews and discussions, recommended to the Board that the audited financial statements be included in the Company's 2017 Annual Report on Form 10-K for the fiscal year ended June 25, 2017 for filing with the SEC.

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

#### **MEMBERS OF THE AUDIT COMMITTEE**

*Eric K. Brandt (Chair)*

*Michael R. Cannon*

*Christine A. Heckart*

## Relationship with Independent Registered Public Accounting Firm

EY has audited the Company's consolidated financial statements since the Company's inception.

## Annual Evaluation and Selection of Independent Registered Public Accounting Firm

The audit committee annually evaluates the performance of the Company's independent registered public accounting firm, including the senior audit engagement team, and determines whether to reengage the current accounting firm or consider other audit firms. Factors considered by the audit committee in deciding whether to retain EY include:

(1) EY's global

capabilities to handle the breadth and complexity of the Company's global operations; (2) EY's technical expertise and knowledge of the Company's industry and global operations; (3) the quality and candor of EY's communications with the audit committee and management; (4) EY's independence; (5) the quality and efficiency of the services provided by EY, including input from management on EY's performance and how effectively EY demonstrated its independent judgment, objectivity and professional skepticism; (6) the appropriateness of EY's fees; and (7) EY's tenure as our independent auditor, including the benefits of that tenure, and the controls and processes in place (such as rotation of key partners) that help ensure EY's continued independence in the face of such tenure.

**Table of Contents****Figure 40. Independent Registered Public Accounting Firm Evaluation and Selection Highlights****Independence Controls**

**Audit Committee Oversight** Oversight includes regular private sessions with EY, discussions with EY about the scope of its audit and business imperatives, a comprehensive annual evaluation when determining whether to engage EY, and direct involvement by the audit committee and its chair in the selection of a new lead assurance engagement partner and new global coordinating partner in connection with the mandated rotation of these positions.

**Limits on Non-Audit Services** The audit committee preapproves audit and permissible non-audit services provided by EY in accordance with its pre-approval policy.

**EY's Internal Independence Process** EY conducts periodic internal reviews of its audit and other work, assesses the adequacy of partners and other personnel working on the Company's account and rotates the lead assurance engagement partner, the global coordinating partner, and other partners on the engagement consistent with independence and rotation requirements established by the PCAOB and SEC.

**Strong Regulatory Framework** EY, as an independent registered public accounting firm, is subject to PCAOB inspections, Big 4 peer reviews and PCAOB and SEC oversight.

**Benefits of Longer Tenure**

**Enhanced Audit Quality** EY's significant institutional knowledge and deep expertise of the Company's semiconductor equipment industry and global business, accounting policies and practices, and internal control over financial reporting enhances audit quality.

**Competitive Fees** Because of EY's familiarity with the Company and the industry, audit and other fees are competitive with peer independent registered public accounting firms.

**Avoid Costs Associated with New Auditor** Bringing on a new independent registered public accounting firm would be costly and require a significant time commitment, which could lead to management distractions.

**Fees Billed by Ernst & Young LLP**

The table below shows the fees billed by EY for audit and other services provided to the Company in fiscal years 2017 and 2016.

**Figure 41. FY2017/2016 Fees Billed by Ernst & Young LLP**

	Fiscal Year 2017 (\$)	Fiscal Year 2016 (\$)
Audit Fees <sup>(1)</sup>	4,176,990	4,697,837
Audit-Related Fees <sup>(2)</sup>	135,684	373,721
Tax Fees <sup>(3)</sup>	71,673	265,527
All Other Fees		
TOTAL	4,384,347	5,337,085

<sup>(1)</sup> Audit Fees represent fees for professional services provided in connection with the audits of annual financial statements. Audit Fees also include reviews of quarterly financial statements, audit services related to other statutory or regulatory filings or engagements, and fees related to EY's audit of the effectiveness of the Company's internal control over financial reporting pursuant to section 404 of the Sarbanes-Oxley Act.

- (2) Audit-Related Fees represent fees for assurance and related services that are reasonably related to the audit or review of the Company's financial statements and are not reported above under Audit Fees. These fees include accounting consultations in connection with our proposed acquisition of KLA-Tencor Corporation and due diligence fees.
- (3) Tax Fees represent fees for professional services for tax planning, tax compliance and review services related to foreign tax compliance and assistance with tax audits and appeals.

*Continues on next page* <sup>u</sup>

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The audit committee reviewed summaries of the services provided by EY and the related fees during fiscal year 2017 and has determined that the provision of non-audit services was compatible with maintaining the independence of EY as the Company's independent registered public accounting firm. The audit committee approved 100% of the services and related fee amounts for services provided by EY during fiscal year 2017.

### **Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services**

It is the responsibility of the audit committee to approve, in accordance with sections 10A(h) and (i) of the Exchange Act and the rules and regulations of the SEC, all professional services, to be provided to us by our independent registered public accounting firm, provided that the audit committee shall not approve any non-audit services proscribed by section 10A(g) of the Exchange Act in the absence of an applicable exemption.

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

### **Certain Relationships and Related Party Transactions**

No family relationships exist as of the date of this proxy statement or existed during fiscal year 2017 among any of our directors and executive officers. There was only one related party transaction that occurred since the beginning of fiscal year 2017. The son of Stephen G. Newberry, the chairman of our Board, Ryan Newberry, is employed by the Company as a manager of security. In addition, the daughter-in-law of Stephen G. Newberry, Meghan Newberry, is employed by the Company as a manager of materials in the supply chain

operations group. In fiscal year 2017, the aggregate compensation paid to Ryan Newberry and Meghan Newberry, including salary, incentive compensation, the grant date value of long-term incentive awards and the value of any other health and benefits contributed to or paid for by the Company, was less than \$200,000 each. The aggregate compensation for each is similar to the aggregate compensation of other employees holding equivalent positions.

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## Voting Proposals

## Proposal No. 1: Election of Directors

This first proposal relates to the election to our Board of ten nominees who are directors of the Company as of the date of this proxy statement. In general, the ten nominees identified in this proposal who receive the highest number of for votes will be elected. However, any nominee who fails to receive affirmative approval from holders of a majority of the votes cast in such nominee's election at the annual meeting, either by proxy or in person, will not be elected to the Board, even if he or she is among the top ten nominees in total for votes. This requirement reflects the majority vote provisions implemented by the Company in November 2009. The term of office of each person elected as a director will be until the next annual meeting of stockholders, and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

Unless otherwise instructed, the Proxy Holders (as defined in *Voting and Meeting Information* *Information Concerning Solicitation and Voting* *Voting Instructions* below) will vote the proxies received by them for the ten nominees named below, each of whom is currently a director of the Company. The proxies cannot be voted for more than ten nominees, whether or not there are additional nominees. If any nominee of the Company should decline or be unable to serve as a director as of the time of the annual meeting, and unless otherwise instructed, the proxies will be voted for any substitute nominee designated by the present Board to fill the vacancy. The Company is not aware of any nominee who will be unable, or will decline, to serve as a director.

The below nominees for election or reelection have been nominated for election to the Board in accordance with the criteria and procedures discussed above in *Governance Matters - Corporate Governance*.

*Appointment of new director.* As part of the Board's self-evaluation process, the Board identified the desirability of having additional representation by former executives of the Company's major customers and from executives of global businesses, especially ones headquartered in countries where the Company conducts significant business. The Board

believed that its members would be able to identify qualified candidates without the involvement of a recruiting firm. After considering a number of individuals, Young Bum (YB) Koh, Ph.D. was identified as a potential candidate by Mr. Anstice because of his leadership positions at Samsung Electronics Co., Ltd. and Samsung Austin Semiconductor LLC, his substantial high-technology operations knowledge and expertise, his understanding of the semiconductor equipment business, his international leadership experience in research, development and manufacturing and his distinguished career. See *2017 Nominees for Director* below for additional information regarding Dr. Koh's qualifications. Dr. Koh met with most of our directors, including our chairman, lead independent director/ nominating and governance committee chair, compensation and audit committee chairs and our CEO, as well as representatives of the Company's executive team. Following those meetings, the nominating and governance committee recommended Dr. Koh's appointment to the full Board. The Board discussed and approved this recommendation.

*Information regarding each nominee.* In addition to the biographical information concerning each nominee's specific experience, attributes, positions and qualifications and age as of September 11, 2017, we believe that each of our nominees, while serving as a director and/or officer of the Company, has devoted adequate time to the Board and performed his or her duties with critical attributes such as honesty, integrity, wisdom, and an adherence to high ethical standards. Each nominee has demonstrated strong business acumen, an ability to make independent analytical inquiries, to understand the Company's business environment and to exercise sound judgment, as well as a commitment to the Company and its core values. We believe the nominees have an appropriate diversity and interplay of viewpoints, skills, backgrounds, and experiences that will encourage a robust decision-making process for the Board.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE TEN DIRECTOR NOMINEES SET FORTH BELOW.**

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### 2017 Nominees for Director

#### **Martin B. Anstice**

Director since 2012

Age 50

Martin B. Anstice has served as the Company's President and Chief Executive Officer since January 2012. Mr. Anstice joined the Company in April 2001 as Senior Director, Operations Controller; was promoted to the position of Managing Director and Corporate Controller in May 2002; and was promoted to Group Vice President and Chief Financial Officer in June 2004. He was appointed Executive Vice President and Chief Operating Officer in September 2008 and President in December 2010. Prior to joining the Company, Mr. Anstice held various finance positions from 1988 to 1999 at Raychem Corporation, a global materials science company. Subsequent to the acquisition of Raychem by Tyco International, a global provider of engineered electronic components, network solutions and wireless systems, he assumed responsibilities supporting mergers and acquisition activities of Tyco Electronics. Mr. Anstice is an Associate member of the Institute of Chartered Management Accountants in the United Kingdom.

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

#### **Eric K. Brandt**

Director since 2010

Age 55

Eric K. Brandt is the former Executive Vice President and Chief Financial Officer of Broadcom Corporation, a global supplier of semiconductor devices, a position he held from March 2007 until its merger with Avago Technologies Limited in February 2016. From September 2005 to March 2007, Mr. Brandt served as President and Chief Executive Officer of Avanir Pharmaceuticals, Inc., a pharmaceutical company. Prior to Avanir Pharmaceuticals, Mr. Brandt was Executive Vice President-Finance and Technical Operations and Chief Financial Officer of Allergan Inc., a global specialty pharmaceutical company, where he also held a number of other senior positions following his arrival there in May 1999.

### **Board Committees:**

#### **Audit**

° *Chair since 2014*

Mr. Brandt has served as a member of the board of directors of: Altaba Inc. (formerly Yahoo! Inc.), a management investment company that remained and was subsequently

° *Member: 2010-2014*

**Public company  
directorships in last five  
years:**

Altaba Inc. (formerly  
Yahoo! Inc.)

Dentsply Sirona Inc.

Yahoo! Inc. (former)

renamed following the completion of Yahoo! s sale of its operating businesses in June 2017, since its inception, where he has served as chairman of the board, chair of the audit committee and nominating and governance committee, and a member of the compensation committee; MC10, Inc., a privately-held medical device Internet of Things (IoT) company, since March 2016, where he has been chair of the compensation committee and governance committee; and Dentsply Sirona Inc. (formerly Dentsply International, Inc.), a manufacturer and distributor of dental product solutions, since 2004, where he has been a member of the audit and finance committee and of the committee responsible for compensation.

He previously served on the board of directors of: Yahoo! Inc., a digital information discovery company, since March 2016 to June 2017, where he had been a chair of the audit and finance committee; Vertex Pharmaceuticals, Inc., a pharmaceutical company, where he was chair of the audit committee, from 2002 to 2009; and Avanir Pharmaceuticals from 2005 to 2007.

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

The Board has concluded that Mr. Brandt is qualified to serve as a director of the Company because of his financial expertise including as a former chief financial officer of a publicly traded company that is a customer of our customers; his knowledge of and experience in the semiconductor industry; his mergers and acquisitions experience; his cybersecurity expertise and his board/governance experience on other public company boards, including as an audit committee member and chair.

**Table of Contents****Michael R. Cannon**

Director since 2011

Age 64

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

**Board Committees:****Audit**° *Member since 2011***Compensation**° *Member: 2011-2013***Nominating and Governance**° *Member since 2011*

Mr. Cannon has served as a member of the board of directors of: Seagate Technology Public Limited, a disk drive and storage solutions company, since February 2011, where he became lead independent director in October 2016 and has been a chair of the nominations and governance committee and a member of the compensation committee and was a member of the audit and finance committees; and Dialog Semiconductor, a mixed signal integrated circuits company, since February 2013, where he has been a chair of the remuneration committee and a member of the nomination committee.

**Public company directorships in last five years:**Seagate Technology  
Public Limited

Dialog Semiconductor

Adobe Systems Inc.  
(former)

He previously served on the board of directors of Adobe Systems Inc., a diversified software company, from December 2003 to April 2016, where he had been a member of the audit committee and chair of the compensation committee; Elster Group SE, a precision metering and smart grid technology company, from October 2010 until the company was acquired in August 2012; Solectron Corporation, an electronic manufacturing services company, from January 2003 to January 2007; and Maxtor Corporation, a disk drive and storage solutions company, from July 1996 until Seagate acquired Maxtor in May 2006.

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

The Board has concluded that Mr. Cannon is qualified to serve as a director of the Company because of his extensive board and governance experience as a director on other public company boards, including on an audit committee, compensation or remuneration committees and nominations and governance committees; his experience in leadership roles at a public corporation that is a customer of our customers; his 20

years of international business experience; his experience with marketing, mergers and acquisitions and related transactions; and his industry knowledge.

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**Youssef A. El-Mansy**  
 Director since 2012  
 Age 72

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

### **Board Committees:**

#### **Compensation**

° *Member since 2012*

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

### **Public company directorships in last five years:**

Novellus Systems, Inc.  
 (former)

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

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

The Board has concluded that Dr. El-Mansy is qualified to serve as a director of the Company because of his more than 30 years of industry knowledge and experience as an executive focused on the manufacturing of technological devices and components for a major semiconductor manufacturer; his understanding of the Company's technologies; and his past board/governance experience at other public companies as a director and member and chair of a compensation committee.

### **Christine A. Heckart**

Director since 2011

Age 51

Christine A. Heckart has served as the Senior Vice President and Chief Marketing Officer of Brocade Communications Systems, Inc., a networking solution company, since March 2014. Immediately prior to joining Brocade, she was the Executive Vice President, Strategy, Marketing, People and Systems since May 2013 and the Chief Marketing Officer from July 2012 until May 2013 at ServiceSource International Inc., a service revenue management company. From February 2010 to May 2012, she was the

**Board Committees:**

**Audit**

- *Member since 2015*

**Compensation**

- *Member: 2011 2015*

Chief Marketing Officer at NetApp, Inc., a data storage and management solutions provider. Ms. Heckart served as General Manager for the TV, video and music business of Microsoft Corporation, a developer of software, services, and hardware, from 2005 to 2010; and led global marketing at Juniper Networks, Inc., a provider of network infrastructure solutions, from 2002 to 2005. She was President at TeleChoice, Inc., a consulting firm specializing in business and marketing strategies, from 1995 to 2002.

She has served as a member of the board of directors of 6Sense, a privately-held business-to-business predictive intelligence engine company, since November 2015.

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

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

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**Young Bum (YB) Koh**

Director since 2017

Age 59

YB Koh is a former senior executive at Samsung Electronics Co., Ltd in South Korea, a global electronics manufacturer. He has held multiple executive positions at Samsung Electronics. Prior to his most recent position as Advisor until December 2016, he served in various roles including from December 2011 to December 2013 as Executive Vice President, Head of the Mechatronics R&D Center; from January 2010 to July 2011 as Executive Vice President, Head of the Manufacturing Operation Center, LCD Business; and from January 2004 to June 2007 as Senior Vice President, Head of Manufacturing Technology Center, Memory Business. Dr. Koh also served as Executive Vice President and President of Samsung Austin Semiconductor LLC located in Texas from August 2007 to December 2009.

Dr. Koh earned a Ph.D. degree in electrical engineering from Osaka University in Japan, an M.S. degree in chemical engineering from Korea Advanced Institute of Science and Technology, and a B.S. degree in chemical engineering from Seoul National University in Korea.

The Board has concluded that Dr. Koh is qualified to serve as a director of the Company because of his business and operations leadership positions at Samsung Electronics and Samsung Austin Semiconductor, his substantial high-technology operations knowledge and expertise, his understanding of the semiconductor equipment business, and his international leadership experience in research, development and manufacturing at Samsung Electronics.

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**Table of Contents****Catherine P. Lego**

Director since 2006

Age 60

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

**Board Committees:****Audit**° *Chair: 2009 2014*° *Member: 2006 2015*

Ms. Lego has served as a member of the board of directors of Cypress Semiconductor Corp., an advanced embedded solutions company for automotive and other products, since September 2017, where she is a member of the audit committee; and IPG Photonics Corporation, a high-power fiber laser and amplifier company for diverse applications, since July 2016, where she is a member of the audit committee and chair of the compensation committee.

**Compensation**° *Chair since 2015***Nominating and Governance**° *Member since 2014*

She previously served on the board of directors of the following public companies: Fairchild Semiconductor International Inc., a fabricator of power management devices, from August 2013 to September 2016, where she was a member of the compensation committee and nominating and governance committee; SanDisk Corporation, a global developer of flash memory storage solutions from 1989 to 2016, where she was the chair of the audit committee; ETEC Corporation, a producer of electron beam lithography tools, from 1991 through 1997; Uniphase Corporation (presently JDS Uniphase Corporation), a designer and manufacturer of components and modules for the fiber optic based telecommunications industry and laser-based semiconductor defect examination and analysis equipment, from 1994 until 1999, when it merged with JDS Fitel; Zitel Corporation, an information technology company, from 1995 to 2000; WJ Communications, Inc., a broadband communications company, from October 2004 to May 2008; and Micro Linear Corporation, a fabless analog semiconductor company. Ms. Lego also served as a member of the board of directors of other technology companies that are privately-held.

**Public company directorships in last five years:**

Cypress Semiconductor Corp.

IPG Photonics Corporation

Fairchild Semiconductor International Inc. (former)

SanDisk Corporation (former)

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



The Board has concluded that Ms. Lego is qualified to serve as a director of the Company because of her experience on our Board; her substantial accounting and finance expertise; her knowledge of the electronics and semiconductor industries and the perspective of companies that are customers of our customers; her experience with mergers and acquisitions; and her board and governance experience on other boards, including her service as a former chairman of an audit committee and current member of a compensation committee and nominating and governance committee.

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**Stephen G. Newberry**  
Chairman of the Board  
Director since 2005  
Age 63

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

**Public company  
directorships in last five  
years:**

Splunk Inc.

Mr. Newberry has also served as a member of the board of directors of Splunk Inc., a software platform company for real-time operational intelligence, since January 2013, where he chairs the compensation committee.

Nanometrics  
Incorporated (former)

He previously served on the board of directors of: Nanometrics Incorporated, a provider of process control metrology and inspection systems from May 2011 to May 2015, where he served as a chair of the compensation committee and member of the nominating and governance committee; Amkor Technology, Inc., a provider of outsourced semiconductor packaging assembly and test services, from March 2009 to May 2011, where he served as a member of the compensation committee; Nexttest Systems Corporation, a developer of automated test equipment systems for the semiconductor industry, from 2000 to 2008, where he served as a member of the audit, compensation and nominating and corporate governance committees; and Semiconductor Equipment and Materials International, or SEMI, a global semiconductor equipment trade association, from July 2004 to July 2014; where he served as a member of the executive committee.

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

The Board has concluded that Mr. Newberry is qualified to serve as a director of the Company because he has more than 30 years of experience in the semiconductor equipment industry; his comprehensive understanding of the Company and its products, markets, and strategies gained through his role as an executive of our Company, including as our former Chief Executive Officer; his marketing experience; his previous role, including as a director, at SEMI, our industry's leading trade association; his public company board and governance experience, including on the

audit committee, compensation committees and nominating and governance committees of other companies; and his strong business and operations leadership and expertise.

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<b>Abhijit Y. Talwalkar</b>  Lead Independent Director  Director since 2011  Age 53	<p>Abhijit Y. Talwalkar is the former President and Chief Executive Officer of LSI Corporation, a leading provider of silicon, systems and software technologies for the storage and networking markets, a position he held from May 2005 until the completion of LSI's merger with Avago Technologies in May 2014. From 1993 to 2005, Mr. Talwalkar was employed by Intel Corporation, a leading producer of microchips, computing and communications products. At Intel, he held a number of senior management positions, including as Corporate Vice President and Co-General Manager of the Digital Enterprise Group, which was comprised of Intel's business client, server, storage and communications business, and as Vice President and General Manager for the Intel Enterprise Platform Group, where he focused on developing, marketing, and supporting Intel business strategies for enterprise computing. Prior to joining Intel, Mr. Talwalkar held senior engineering and marketing positions at Sequent Computer Systems, a multiprocessing computer systems design and manufacturer that later became a part of IBM; Bipolar Integrated Technology, Inc., a VLSI bipolar semiconductor company; and Lattice Semiconductor Inc., a service driven developer of programmable design solutions widely used in semiconductor components.</p>
<b>Board Committees:</b>  <b>Compensation</b>  ° <i>Chair: 2012 – 2015</i>  ° <i>Member since 2015</i>	
<b>Nominating and Governance</b>  ° <i>Chair since 2015</i>  ° <i>Member: 2015-2015</i>	<p>Mr. Talwalkar has served as a member of the board of directors of: Advanced Micro Devices Inc., a developer of high performance computing, graphics and visualization technologies, since June 2017, where he serves as a member of the compensation and leadership resources committee and the nominating and corporate governance committee; TE Connectivity Ltd, a connectivity and sensor solutions company, since March 2017; iRhythm Technologies Inc., digital health care solutions company, since May 2016 where he is the chairman of the board; and Virtual Power Systems, Inc., a privately-held software company focused on providing infrastructure to manage data center power, since February 2016.</p>
<b>Public company directorships in last five years:</b>  Advanced Micro Devices Inc.  TE Connectivity Ltd.  iRhythm Technologies Inc.  LSI Corporation (former)	<p>He previously served as a member of the board of directors of LSI from May 2005 to May 2014 and the U.S. Semiconductor Industry Association, a semiconductor industry trade association from May 2005 to May 2014. He was additionally a member of the U.S. delegation for World Semiconductor Council proceedings.</p> <p>Mr. Talwalkar earned a B.S. degree in electrical engineering from Oregon State University.</p>
	<p>The Board has concluded that Mr. Talwalkar is qualified to serve as a director of the Company because of his experience in the semiconductor industry, including as the</p>

former chief executive officer of a semiconductor company and his previous role in the semiconductor industry's trade association; his business and operations leadership roles at other semiconductor companies that include a customer of ours; and his mergers and acquisitions and marketing experience.

**Table of Contents****Lih Shyng (Rick L.) Tsai**

Director since 2016

Age 66

**Public company directorships in last five years:**

MediaTek Inc.

USI Corporation

NXP Semiconductors  
N.V. (former)Chunghwa Telecom Co,  
Ltd. (former)Taiwan Semiconductor  
Manufacturing Company,  
Limited (former)

Rick L. Tsai has served as the Co-CEO of MediaTek Inc., a Taiwanese listed global fabless semiconductor company, since June 2017. He is the former Chief Executive Officer of Chunghwa Telecom Co., Ltd., a Taiwanese integrated telecom service provider, a position he held from January 2014 until December 2016. From August 2011 to January 2014, Dr. Tsai concurrently served as Chief Executive Officer of TSMC Solar Ltd., a provider of high-performance solar modules, and TSMC Solid State Lighting Ltd. (SSL), a company providing lighting solutions that combine its parent's expertise in semiconductor manufacturing and rigorous quality control with its own integrated capabilities spanning epi-wafers, chips, emitter packaging and extensive value-added modules and light engines, both of which are wholly-owned subsidiaries of Taiwan Semiconductor Manufacturing Company, Limited (TSMC). Prior to these positions, Dr. Tsai was TSMC's President of New Businesses from June 2009 to July 2011 and President and CEO of TSMC from July 2005 to June 2009. Dr. Tsai held other key executive positions, such as COO, EVP of Worldwide Sales and Marketing, and EVP of Operations since joining TSMC in 1989. Dr. Tsai served as President of TSMC's affiliate, Vanguard International Semiconductor, from 1999 to 2000. Prior to joining TSMC, Dr. Tsai held various technical positions at Hewlett Packard, an international information technology company, from 1981 to 1989.

Dr. Tsai has served as a member of the board of directors of: MediaTek Inc. since June 2017; and USI Corporation, a Taiwanese listed polyethylene manufacturer, since June 2014.

He previously served on the board of directors of: NXP Semiconductors N.V., from July 2014 until June 2017; Chunghwa Telecom from January 2014 until December 2016, where he served as chairman; TSMC from 2003 to 2013; TSMC Solar and TSMC SSL from August 2011 to January 2014, where he served as their chairman; and Taiwan Semiconductor Industry Association (TSIA) from June 2009 to March 2013, where he served as chairman.

Dr. Tsai earned a Ph.D. degree in material science and engineering from Cornell University and a B.S. degree in physics from the National Taiwan University in Taipei, Taiwan.

The Board has concluded that Dr. Tsai is qualified to serve as a director of the Company because of his substantial operational and leadership experience in global businesses, particularly through his service as president, CEO and director of TSMC, a major customer of the Company; his knowledge of the semiconductor and

semiconductor equipment businesses; his extensive executive and board experience for global technology companies, including NXP Semiconductor, Chunghwa Telecom and MediaTek. In making this nomination, in addition to considering the extraordinary and relevant experience that Dr. Tsai brings to Lam, the independent members of the Board also considered Dr. Tsai's commitments as a co-CEO and director of MediaTek and as a director of USI, both Taiwanese companies, the length of his service with those companies, the fact that he does not serve on any board committees at such public companies or any private company boards, and the fact that he has an excellent attendance record at all of the boards on which he has served, and concluded that his service with other companies will not limit his ability to devote sufficient time to Lam board duties.

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**Proposal No. 2: Advisory Vote to Approve Our Named Executive Officer Compensation, or Say on Pay**

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

We believe that our compensation philosophy has allowed us to attract, retain, and motivate qualified executive officers who have contributed to our success. For more information regarding the compensation of our named executive officers, our compensation philosophy, our 2016 Say on Pay results and our response, we encourage you to read the section of this proxy statement entitled *Compensation Matters – Executive Compensation and Other Information – Compensation Discussion and Analysis*, the compensation tables, and the narrative following the compensation tables for a more detailed discussion of our compensation policies and practices.

We are asking for stockholder approval, on an advisory or non-binding basis, of the following resolution:

**RESOLVED**, that the stockholders of Lam Research Corporation (the Company) hereby approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed pursuant to Item 402 of SEC Regulation S-K, including the *Compensation Discussion and Analysis*, the compensation tables and any related narrative disclosure included in the proxy statement.

This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the policies and practices described in this proxy statement.

We provide for annual advisory votes to approve the compensation of our named executive officers. Unless stockholders approve a different frequency for the advisory vote in Proposal No. 3, the next advisory vote to approve our named executive officer compensation will be at the 2018 annual meeting.

Stockholder approval of Proposal No. 2 requires the affirmative vote of the holders of a majority of the outstanding shares of common stock having voting power present, in person or by proxy, at the annual meeting.

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



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**Proposal No. 3: Advisory Vote to Approve the Frequency of Holding Future Stockholder Advisory Votes on Our Named Executive Officer Compensation, or Say on Frequency**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and Section 14A of the Exchange Act enables our stockholders to indicate, at least once every six years, how frequently we should seek a non-binding advisory vote on our named executive officer compensation. By voting on this Proposal No. 3, stockholders may indicate whether they would prefer to hold a non-binding advisory vote on our named executive officer compensation once every one, two, or three years.

After careful consideration, our compensation committee and Board have determined that a non-binding advisory vote on our named executive officer compensation that occurs annually is the most appropriate alternative for the Company and our stockholders, and therefore our Board recommends that you vote for a one-year interval for the non-binding advisory vote on our named executive officer compensation, or Say on Frequency.

We believe that an annual vote will continue to allow our stockholders the ability to frequently communicate to us their position on the compensation of our named executive officers

through a non-binding advisory vote on named executive officer compensation. An annual vote further aligns to our annual cash program and the metric that guides that program as well as to our annual granting of long-term equity compensation to the NEOs.

The frequency option (once every one year , two years , or three years ) that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on our named executive officer compensation that has been selected by stockholders. However, because this vote is advisory and not binding on the Company, the compensation committee or the Board, the Board may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on our named executive officer compensation more or less frequently than the option approved by our stockholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL, ON AN ADVISORY OR NON-BINDING BASIS, OF HOLDING EVERY ONE YEAR ADVISORY VOTES ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**

**Proposal No. 4: Ratification of the Appointment of the Independent Registered Public Accounting Firm for Fiscal Year 2018**

Stockholders are being asked to ratify the appointment of Ernst & Young LLP, or EY, as the Company's independent registered public accounting firm for fiscal year 2018. Although the audit committee has the sole authority to appoint

the Company's independent registered public accounting firm, as a matter of good corporate governance, the Board submits its selection to our stockholders for ratification. If the stockholders should not ratify the appointment of EY, the audit committee will contemplate whether to reconsider the appointment. EY has been the Company's independent registered public accounting firm (independent auditor) since fiscal year 1981.

Each proxy received by the Proxy Holders will be voted **FOR** the ratification of the appointment of EY, unless the stockholder provides other instructions.

Our audit committee meets periodically with EY to review both audit and non-audit services performed by EY, as well as the fees charged for those services. Among other things, the committee examines the effect that the performance of non-audit services, if any, may have upon the independence of the

independent registered public accounting firm. All professional services provided by EY, including non-audit services, if any, are subject to approval by the audit committee in accordance with applicable securities laws, rules, and regulations. For more information, see *Audit Matters – Audit Committee Report* and *Audit Matters – Relationship with Independent Registered Public Accounting Firm* above.

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

Stockholder approval of Proposal No. 4 requires the affirmative vote of the holders of a majority of the outstanding shares of common stock having voting power present, in person or by proxy, at the annual meeting.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE **FOR** THE RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2018.**

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### Proposal No. 5: Stockholder Proposal, If Properly Presented at the Annual Meeting, Regarding Annual Disclosure of EEO-1 Data

Representatives of the New York City Comptroller (the Proponent), on behalf of the New York City Pension Funds, 1 Centre Street, New York, NY 10007, have advised that the New York City Pension Funds are the beneficial owner of 263,858 shares of the Company's common stock and that the Proponent intends to introduce a proposal for the consideration of stockholders at the 2017 Annual Meeting of Stockholders, the text of which reads as follows.

**RESOLVED:** Shareholders request that the Board of Directors adopt and enforce a policy requiring Lam Research Corporation (the Company) to disclose annually its EEO-1 data a comprehensive breakdown of its workforce by race and gender according to 10 employment categories on its website or in its corporate social responsibility report, beginning in 2017.

### Supporting Statement from Proponent

Diversity matters. Numerous studies suggest that companies with comprehensive diversity policies and programs, and strong leadership commitment to implement and fully integrate diversity into their culture and practices, enhance long-term shareholder value. A McKinsey & Company global study (*Diversity Matters*, February 2015), for example, found that companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry median.

Workplace diversity provides competitive advantage by generating diverse, valuable perspectives, creativity, innovation and adaptation, increased productivity and morale, while eliminating the limitations of groupthink. It also reduces potential legal and reputational risks associated with workplace discrimination and builds corporate reputations as fair employers.

The high tech industry of which the company is a part, is characterized by persistent and pervasive underrepresentation of minorities and women, particularly in senior positions.

Based on 2014 EEO-1 filings, the EEOC Commission estimates that the high tech industry is over 64% male and over 68% white. Blacks, Hispanics and women are under-represented in high tech compared to their representation in all private industries. Black and Hispanic representation at the

executive, managerial and professional levels is between one and five percent, and women representation at these levels is between 20% and 30%. All three groups representation at these levels in high tech is lower than for all private industries (<https://www.eeoc.gov/eeoc/statistics/reports/hightech/upload/diversity-in-high-tech-report.pdf>).

Lam Research provides no information on the gender and racial makeup of its total workforce. This does not allow investors to fully evaluate the company's diversity initiatives and their impact, especially across job categories and particularly in more senior roles. Without more detailed quantitative information on a comparable basis, shareholders have no way to evaluate and benchmark the effectiveness of these efforts over time and relative to peers.

Federal law requires companies with 100 or more employees to annually submit an EEO-1 Report to the Equal Employment Opportunity Commission. The report profiles a company's workforce by race and gender in 10 job

categories, including senior management.

Over two-thirds of S&P 100 companies now disclose EEO-1 data, including companies in the technology industry such as Apple, Alphabet, Salesforce and Ingram Micro.

The proposal does not limit the company from providing more detailed quantitative and qualitative disclosures where appropriate. We also encourage the company to describe the steps it is taking and the challenges it faces in moving forward to achieve its diversity plans and goals.

#### **Board of Directors Voting Recommendation and Statement in Opposition to Stockholder Proposal**

The Board has considered the stockholder proposal, believes it is not in the best interests of stockholders and recommends a vote AGAINST the proposal because:

we have a strong commitment to diversity and inclusion in our workforce; and

the EEO-1 data is not reflective of our diversity, and could be misinterpreted in ways that could hinder our efforts for greater diversity and inclusion.

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Lam Research believes that workforce diversity and inclusion contributes to the Company's success by enhancing creativity, innovation, and speed to the right solutions and is committed to fostering and celebrating diversity and inclusion in our workforce. However, the Board has concluded that adoption of the proposal and disclosure of the EEO-1 data would not assist our stockholders in evaluating and benchmarking the effectiveness of our diversity and inclusion efforts over time and relative to our peers, or provide an appropriate platform for a meaningful discussion about diversity and inclusion.

*Our commitment to diversity and inclusion in our workforce.* Lam has been and continues to be committed to fostering diversity and inclusion, and we strive to maintain a culture and adherence to core values that attract and celebrate workforce diversity on a global basis. We believe that diversity promotes creativity, innovation, and mutual respect, which are all core to our values. We recognize that the unique viewpoints and experiences of every employee are important to achieving our mission to be a world-class provider of innovative technology and productivity solutions to the semiconductor industry.

Because of this, we invest in initiatives and practices to attract, engage, retain and promote employees with diverse perspectives, talents, and experiences from all around the world. Our diversity and inclusion activities include community outreach, targeted programs, and other activities intended to increase the diverse culture and experiences of our global workforce. We are active in science, technology, engineering and math (STEM) education for girls and women from elementary school through university level, we provide diversity-targeted scholarships, offer leadership training on diversity and inclusion, participate in sponsored presentations and programs, and offer job procurement skills training. We target the hiring and placement of veterans through our Military Hiring program. We provide opportunities for our employees to participate in cross-functional global teams, where our employees' backgrounds and different perspectives from the global communities where we work can be reflected through the exchange and promotion of new ideas, interactions, and learnings. We also support employee-directed groups focused on diversity and inclusion and professional networking events for our employees.

Recognizing that maintaining a commitment to diversity and inclusion requires continual leadership, focus, and effort, we are committed to building on our ongoing efforts to maintain and enhance our inclusive and diverse workforce.

*EEO-1 data is not reflective of Lam's diversity and could be misinterpreted in ways that could hinder our efforts for greater diversity and inclusion.* In our view, the Equal Employment Opportunity Commission (EEOC) data does not fully reflect the job-role structure of a manufacturing company in the technology sector. The Form EEO-1, which is a government-mandated form filed annually with the EEOC on a confidential basis, requires a company to categorize its U.S. workforce by gender and race according to certain generic EEOC-mandated job categories, without allowing for company- or industry-specific factors or context. In certain circumstances, the format of the form has required Lam to categorize employees into the pre-defined job categories in ways that do not fully reflect our employees' actual job roles or descriptions. As a result, the data could be misleading or vulnerable to misinterpretation. For these reasons, publication of the EEO-1 data would not meaningfully reflect Lam's specific circumstances in context and would not be materially helpful for investors to understand our diversity relative to peers.

Furthermore, the EEO-1 data does not offer any insight into our actual global initiatives and practices promoting diversity and inclusion, and therefore is not a meaningful indicator of Lam's commitment to diversity and equal employment opportunity.

Unlike the proposal's proponents, we do not believe that disclosure of the EEO-1 data would provide an appropriate platform for a meaningful discussion about diversity and inclusion. On the contrary, disclosure of such information could hinder our efforts to attract, engage, retain and promote diverse employment candidates and employees if it is misconstrued, including by such candidates and employees. Public disclosure of the EEO-1 data also could negatively

impact the Company's interest in protecting the confidential nature of the EEOC-mandated report and data.

*The Board's recommendation against the proposal.* For the reasons described above, the Board believes that public disclosure of Lam's EEO-1 data would not be in the best interests of our stockholders.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST THE STOCKHOLDER PROPOSAL, IF PROPERLY PRESENTED AT THE ANNUAL MEETING, REGARDING ANNUAL DISCLOSURE OF EEO-1 DATA.**

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[Other Voting Matters](#)

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

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

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**Voting and Meeting Information**

**Information Concerning Solicitation and Voting**

Our Board solicits your proxy for the 2017 Annual Meeting of Stockholders and any adjournment or postponement of the meeting, for the purposes described in the Notice of 2017 Annual Meeting of Stockholders. The sections below show important details about the annual meeting and voting.

**Record Date**

Only stockholders of record at the close of business on September 11, 2017, the Record Date, are entitled to receive notice of and to vote at the annual meeting.

**Shares Outstanding**

As of the Record Date 162,496,503 shares of common stock were outstanding.

**Quorum**

Stockholders who hold shares representing a majority of our shares of common stock outstanding and entitled to vote on the Record Date must be present in person or represented by proxy to constitute a quorum. A quorum is required to transact business at the annual meeting.

**Inspector of Elections**

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

**Effect of Abstentions and Broker Non-Votes**

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

**Voting by Proxy**

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

**Voting at the Meeting**



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

### **Changing Your Vote**

Stockholders of record may change their votes by revoking their proxies at any time before the polls close by (1) submitting a later-dated proxy by the internet, telephone or mail, or (2) submitting a vote in person at the annual meeting. Before the annual meeting, stockholders of record may also deliver voting instructions to: Lam Research Corporation, Attention: Secretary, 4650 Cushing Parkway, Fremont, California 94538. If a beneficial owner holds shares through a bank or brokerage firm, or another stockholder of record, the beneficial owner must contact the stockholder of record in order to revoke any prior voting instructions.

### **Voting Instructions**

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

### **Voting Results**

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

### **Availability of Proxy Materials**

Beginning on September 28, 2017, this proxy statement and the accompanying proxy card and 2017 Annual Report to Stockholders will be mailed to stockholders entitled to vote at

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the annual meeting who have designated a preference for a printed copy. Stockholders who previously chose to receive proxy materials electronically were sent an email with instructions on how to access this year's proxy materials and the proxy voting site.

We have also provided our stockholders access to our proxy materials over the internet in accordance with rules and regulations adopted by the SEC. These materials are available on our website at <http://investor.lamresearch.com> and at [www.proxyvote.com](http://www.proxyvote.com). We will furnish, without charge, a printed copy of these materials and our 2017 Annual Report (including exhibits) on request by telephone (510-572-1615), by mail (to Investor Relations, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538), or by email (to [investor.relations@lamresearch.com](mailto:investor.relations@lamresearch.com)).

A Notice of Internet Availability of Proxy Materials will be mailed beginning on September 28, 2017 to all stockholders entitled to vote at the meeting. The notice will have instructions for stockholders on how to access our proxy materials through the internet and how to request that a printed copy of the proxy materials be mailed to them. The

notice will also have instructions on how to elect to receive all future proxy materials electronically or in printed form. If you choose to receive future proxy materials electronically, you will receive an email each year with instructions on how to access the proxy materials and proxy voting site.

## **Proxy Solicitation Costs**

The Company will bear the cost of all proxy solicitation activities. Our directors, officers and other employees may solicit proxies personally or by telephone, email or other communication means, without any cost to Lam Research. In addition, we have retained D.F. King & Co., Inc. to assist in obtaining proxies by mail, facsimile or email from brokers, bank nominees and other institutions for the annual meeting. The estimated cost of such services is \$12,000 plus out-of-pocket expenses. D.F. King & Co, Inc. may be contacted at 48 Wall Street, New York, New York 10005. We are required to request that brokers and nominees who hold stock in their names furnish our proxy materials to the beneficial owners of the stock, and we must reimburse these brokers and nominees for the expenses of doing so in accordance with statutory fee schedules.

## **Other Meeting Information**

### **Annual Meeting Admission**

All stockholders entitled to vote as of the Record Date are entitled to attend the annual meeting. Admission of stockholders will begin at 9:00 a.m. Pacific Standard Time on November 8, 2017. Any stockholders interested in attending the annual meeting should be prepared to present government-issued photo identification, such as a valid driver's license or passport, and verification of ownership of Company common stock or proxy status as of the Record Date for admittance. For stockholders of record as of the Record Date, proof of ownership as of the Record Date will be verified prior to admittance into the annual meeting. For stockholders who were not stockholders as of the Record

Date but hold shares through a bank, broker or other nominee holder, proof of beneficial ownership as of the Record Date, such as an account statement or similar evidence of ownership, will be verified prior to admittance into the annual meeting. For proxy holders, proof of valid proxy status will also be verified prior to admittance into the annual meeting. Stockholders and proxy holders will be admitted to the annual meeting if they comply with these procedures. Information on how to obtain directions to attend the annual meeting and vote in person is available on our website at <http://investor.lamresearch.com>.

## Voting on Proposals

Pursuant to Proposal No. 1, Board members will be elected at the annual meeting to fill ten seats on the Board to serve until

the next annual meeting of stockholders, and until their respective successors are elected and qualified, under a majority vote standard. The majority voting standard means that, even though there are ten nominees in total for the ten Board seats, a nominee will be elected only if he or she receives an affirmative for vote from stockholders owning, as of the Record Date, at least a majority of the shares present and voted at the meeting in such nominee's election by proxy or in person. If an incumbent fails to receive the required majority, his or her previously submitted resignation will be promptly considered by the Board. Each stockholder may cast one vote ( for or withhold ), per share held, for each of the ten nominees. Stockholders may not cumulate votes in the election of directors.

Each share is entitled to one vote on Proposals No. 2, 3, 4 and 5. Votes may be cast for, against or abstain on Proposals 2, 4 and 5. Votes may be cast for one year, two years, three years or abstain on Proposal 3. Approval of each of Proposals No. 2-5 requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and cast at the meeting.

If a stockholder votes by means of the proxy solicited by this proxy statement and does not instruct the Proxy Holders how to vote, the Proxy Holders will vote: FOR all individuals nominated by the Board; FOR approval, on an advisory basis, of our named executive officer compensation; for ONE YEAR approval, on an advisory basis, of the frequency of

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holding future advisory votes on our named executive officer compensation; **FOR** the ratification of EY as the Company's independent registered public accounting firm for fiscal year 2018; and **AGAINST** the stockholder proposal, if properly presented at the annual meeting, regarding annual disclosure of EEO-1 data.

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

## **Voting by 401(k) Plan Participants**

Participants in Lam's Savings Plus Plan, Lam Research 401(k), or the 401(k) Plan, who held Lam common stock in their personal 401(k) Plan accounts as of the Record Date will receive this proxy statement, so that each participant may vote, by proxy, his or her interest in Lam's common stock as held by the 401(k) Plan. The 401(k) Plan trustee will aggregate and vote proxies in accordance with the instructions in the proxies of employee participants that it receives.

## **Stockholder Accounts Sharing the Same Last Name and Address; Stockholders Holding Multiple Accounts**

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

Stockholders holding multiple accounts of Lam common stock may request separate copies of the proxy materials by contacting us by telephone (510-572-1615), by mail (to Investor Relations, Lam Research Corporation, 4650 Cushing Parkway, Fremont, California 94538) or by email (to [investor.relations@lamresearch.com](mailto:investor.relations@lamresearch.com)). Stockholders may also contact us by telephone, mail or email to request consolidation

of proxy materials mailed to multiple accounts at the same address.

## **Stockholder-Initiated Proposals and Nominations for 2018 Annual Meeting**

*Proposals submitted under SEC rules for inclusion in the Company's proxy statement.* Stockholder-initiated proposals (other than director nominations) may be eligible for inclusion in our proxy statement for next year's 2018 annual meeting of stockholders (in accordance with SEC Rule 14a-8) and for consideration at the 2018 annual meeting of stockholders. The Company must receive a stockholder proposal no later than May 31, 2018 for the proposal to be eligible for inclusion. Any stockholder interested in submitting a proposal or nomination is advised to contact legal counsel familiar with the detailed securities law requirements for submitting proposals or nominations for inclusion in a company's proxy statement.

*Proposed nominations of directors under Company bylaws for Proxy Access.* Our bylaws provide for Proxy Access. Pursuant to the Proxy Access provisions of our bylaws, a stockholder, or a group of up to 20 stockholders, owning at least 3% of our outstanding common stock continuously for at least three years can nominate and include in our proxy

materials director nominees constituting up to the greater of two individuals or 20% of the Board, provided that the stockholders and the nominees satisfy the requirements specified in our bylaws. If a stockholder or group of stockholders wishes to nominate one or more director candidates to be included in our proxy statement for the 2018 annual meeting of stockholders pursuant to Proxy Access, all of the information required by our bylaws must be received by the Secretary of the Company no earlier than May 1, 2018, and no later than May 31, 2018.

*Proposals and nominations under Company bylaws for presentation at the annual meeting but for which the proponent does not seek to include materials in our proxy statement.* Stockholders may also submit proposals for consideration and nominations of director candidates for election at the annual meeting by following certain requirements set forth in our bylaws. These proposals will not be eligible for inclusion in the Company's proxy statement for the 2018 annual meeting of stockholders unless they are submitted in compliance with then applicable SEC rules or pursuant to the Proxy Access described above; however, they will be presented for consideration at the 2018 annual meeting of stockholders if the requirements established by our bylaws for stockholder proposals and nominations have been satisfied.

Our bylaws establish requirements for stockholder proposals and nominations not included in our proxy statement to be considered at the annual meeting. Assuming that the 2018 annual meeting of stockholders takes place at roughly the same date next year as the 2017

*Continues on next page* <sup>u</sup>

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annual meeting (and subject to any change in our bylaws which would be publicly disclosed by the Company and to any provisions of then-applicable SEC rules), A stockholder of record must submit the proposal or nomination in writing and it must be received by the Secretary of the Company no earlier than July 15, 2018, and no later than August 14, 2018;

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

By Order of the Board of Directors,

Sarah A. O'Dowd

*Secretary*

Fremont, California

Dated: September 28, 2017

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***LAM RESEARCH CORPORATION***

***ATTN: INVESTOR RELATIONS***

***4650 CUSHING PARKWAY***

***FREMONT, CA 94538***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E32537-P95722-Z70509

KEEP THIS PORTION FOR  
YOUR RECORDS

DETACH AND RETURN THIS  
PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**LAM RESEARCH  
CORPORATION**  
**The Board of Directors**  
**recommends you vote FOR**  
**all ten of the nominees listed**  
**in proposal 1:**

**For Withhold For All**  
**All All Except**

To withhold  
authority to vote  
for any individual  
nominee(s), mark  
For All Except and  
write the  
number(s) of the  
nominee(s) on the  
line below.

1. Election of  
Directors  
**Nominees:**

01) Martin B. Anstice	06) Young Bum
(YB) Koh	
02) Eric K.	
Brandt	07) Catherine P.
Lego	
03) Michael R. Cannon	08) Stephen G.
Newberry	
04) Youssef A. El-Mansy	09) Abhijit Y.
Talwalkar	
05) Christine A. Heckart	10) Lih Shyng
(Rick L.) Tsai	

**The Board of Directors**  
**recommends you vote FOR**  
**proposals 2 and 4 and for 1**  
**YEAR on proposal 3.**

**For Against Abstain**

2. Advisory vote to  
approve the  
compensation of the  
named executive  
officers of Lam  
Research, or Say on  
Pay.

4. Ratification of the  
appointment of the  
independent  
registered public  
accounting firm for  
fiscal year 2018.

**For Against Abstain**

**1 Year 2 Years 3 Years Abstain**



**The Board of  
Directors  
recommends you vote  
AGAINST proposal  
5.**

3. Advisory vote to  
approve the  
frequency of holding  
future stockholder  
advisory votes on our  
named executive  
officer compensation,  
or Say on Frequency.

5. Stockholder  
proposal, if properly  
presented at the  
annual meeting,  
regarding annual  
disclosure of EEO-1  
data.

**NOTE:** Other business  
that may properly come  
before the annual  
meeting (including any  
adjournment or  
postponement thereof)  
will be voted as the  
proxy holders deem  
advisable.

For address change/comments, mark here.

(see reverse for instructions)

Please indicate if you  
plan to attend this  
meeting.

**Yes      No**

Please sign exactly as your name(s) appear(s) in this card. When signing as attorney,  
executor, administrator, or other fiduciary, please give full title. Joint owners should each  
sign personally. For a Corporation, an authorized officer must sign. For a partnership, an  
authorized person must sign.

Signature [PLEASE SIGN      Date  
WITHIN BOX]

Signature (Joint Owners)      Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report Combined Document are available at [www.proxyvote.com](http://www.proxyvote.com).

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**THIS PROXY IS SOLICITED ON BEHALF OF THE  
BOARD OF DIRECTORS OF LAM RESEARCH CORPORATION  
IN CONJUNCTION WITH THE ANNUAL MEETING  
OF STOCKHOLDERS TO BE HELD ON NOVEMBER 8, 2017**

The undersigned stockholder of LAM RESEARCH CORPORATION, a Delaware corporation (the Company), hereby (a) acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated September 28, 2017, and the 2017 Annual Report to Stockholders; (b) appoints Martin B. Anstice and George M. Schisler, Jr., or either of them, proxy holders and attorneys-in-fact, each with full power to designate substitutes, on behalf and in the name of the undersigned, to represent the undersigned at the 2017 Annual Meeting of Stockholders of LAM RESEARCH CORPORATION (and any adjournment(s) or postponement(s) of the Meeting) to be held on November 8, 2017 at 9:30 a.m., Pacific Standard Time, in the Building CA1 Auditorium at the principal executive offices of the Company located at 4650 Cushing Parkway, Fremont, California 94538, and (c) authorizes the proxy holders to vote all shares of Common Stock that the undersigned would be entitled to vote if personally present at the Meeting, on the matters set forth on the reverse side and, in their discretion, on any other matter(s) that may properly come before the Meeting or any adjournment(s) or postponement(s) of the Meeting.

**This proxy will be voted as directed. If no contrary direction is indicated, the proxy will be voted FOR all ten of the director nominees listed in proposal 1, FOR the advisory vote to approve the compensation of the named executive officers of Lam Research, or Say on Pay, for 1 YEAR on the advisory vote to approve the frequency of holding future stockholder advisory votes on our named executive officer compensation, or Say on Frequency, and FOR the proposal to ratify the appointment of the independent registered public**

**accounting firm for fiscal year 2018; AGAINST the stockholder proposal, if properly presented at the annual meeting, regarding annual disclosure of EEO-1 data; and as the proxy holders deem advisable, on any other matter(s) that may properly come before the meeting.**

**Address change/comments:**

(If you noted any address change/comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**