

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 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | |
|--|--|
| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> Definitive Proxy Statement | |
| <input type="checkbox"/> Definitive Additional Materials | |
| <input type="checkbox"/> Soliciting Material Pursuant to Rule 14a-11(c) or Rule 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.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

LOGO

LAM RESEARCH CORPORATION

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD NOVEMBER 4, 1999**

To the Stockholders:

NOTICE IS HEREBY GIVEN that the 1999 Annual Meeting of Stockholders of Lam Research Corporation, a Delaware corporation (the "Company"), will be held on Thursday, November 4, 1999, 11:00 a.m., local time, at the principal executive offices of the Company at 4650 Cushing Parkway, Fremont, California 94538, for the following purposes:

1. To elect directors to serve for the ensuing year, and until their successors are elected;
2. To ratify the appointment of Ernst & Young LLP as independent auditors of the Company for the fiscal year ending June 30, 2000; and
3. To transact such other business as may properly come before the meeting, or any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

Only stockholders of record at the close of business on September 23, 1999 are entitled to notice of and to vote at the meeting, and for any adjournment thereof.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting, you are urged to mark, sign and date the enclosed proxy and return it as promptly as possible in the postage-prepaid and return-addressed envelope enclosed for that purpose. However, any stockholder of record attending the meeting may vote in person, even if he or she has returned a proxy.

By Order of the Board of Directors,

LOGO

Richard H. Lovgren
Secretary

Fremont, California
October 12, 1999

YOUR VOTE IS IMPORTANT

IN ORDER TO ASSURE YOUR REPRESENTATION AT THE MEETING, YOU ARE REQUESTED TO MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE AND RETURN IT IN THE ENCLOSED RETURN-ADDRESSED ENVELOPE (TO WHICH NO POSTAGE NEED BE AFFIXED IF MAILED IN THE UNITED STATES).

LAM RESEARCH CORPORATION

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD NOVEMBER 4, 1999

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LAM RESEARCH CORPORATION

PROXY STATEMENT FOR 1999 ANNUAL MEETING OF STOCKHOLDERS

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed proxy is solicited on behalf of Lam Research Corporation, a Delaware corporation (the "Company"), for use at the Annual Meeting of Stockholders to be held Thursday, November 4, 1999 at 11:00 a.m., local time (the "Annual Meeting"), or for any adjournment thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Annual Meeting will be held at the principal executive offices of the Company at 4650 Cushing Parkway, Fremont, California 94538. The Company's telephone number at that location is (510) 659-0200.

These proxy solicitation materials will be mailed on or about October 12, 1999 to all stockholders entitled to vote at the meeting. A copy of Lam Research Corporation's 1999 Annual Report to Stockholders accompanies this Proxy Statement.

RECORD DATE AND PRINCIPAL SHARE OWNERSHIP

Stockholders of record at the close of business on September 23, 1999 are entitled to receive notice of and to vote at the Annual Meeting. At the record date, 39,429,800 shares of the Company's Common Stock were outstanding.

REVOCABILITY OF PROXIES

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company a written notice of revocation or a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. However, attending the Annual Meeting in and of itself does not constitute a revocation of a proxy.

VOTING AND SOLICITATION

Each stockholder voting on the election of directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected (seven at this meeting) multiplied by the number of shares held by such stockholder, or distribute the stockholder's votes on the same principle among as many candidates as the stockholder deems appropriate. However, votes cannot be cast for more than seven candidates. No stockholder shall be entitled to cumulate votes for a candidate unless the candidate's name has been placed in nomination prior to the voting.

Where no vote is specified or where a vote FOR all nominees is marked, the cumulative votes represented by a proxy will be cast, unless contrary instructions are given, at the discretion of the proxy holders in order to elect as many nominees as believed possible under the then-prevailing circumstances. If a stockholder desires to cumulate his or her votes, the accompanying proxy card should be marked to indicate clearly that the stockholder desires to exercise the right to cumulate votes and should specify how the votes are to be allocated among the nominees for directors. For example, a stockholder may write next to the name of the nominee or nominees for whom the stockholder desires to cast votes the number of votes to be cast for such nominee or nominees. Alternatively, without exercising his or her right to vote cumulatively, a stockholder may instruct the proxy holders not to vote for one or more nominees by writing the name(s) of such nominee or nominees on the space provided on the proxy card. Unless indicated to the contrary in the space provided on the proxy card, if a stockholder withholds authority to vote for one or more nominees, all cumulative votes of such stockholder will be distributed among the remaining nominees at the discretion of the proxy holders.

On all other matters, each share has one vote.

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Votes cast by proxy or in person at the Annual Meeting will be tabulated by the Inspector of Elections (the "Inspector"). The Inspector will also determine whether or not a quorum is present. The seven candidates for election as directors at the Annual Meeting who receive the highest number of affirmative votes will be elected. The ratification of the independent auditors for the Company for the current year will require the affirmative vote of a majority of the shares of the Company's Common Stock present or represented and entitled to vote at the Annual Meeting.

In general, Delaware law also provides that a quorum consists of a majority of the shares entitled to vote and present or represented by proxy at the meeting. The Inspector will treat abstentions as shares that are present or represented and entitled to vote for purposes of determining the presence of a quorum, but will not treat abstentions as votes in favor of approving any matter submitted to the stockholders for a vote. Thus, abstentions have the same effect in this regard as negative votes. Any proxy which is properly dated, executed and returned using the form of proxy enclosed will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted for the election of directors, for ratification of the appointment of the designated independent auditors and, with respect to any other matter or matters that may come before the meeting, as the proxy holders deem advisable in accordance with their best judgment. If a broker indicates on the enclosed proxy or its substitute that it does not have discretionary authority as to certain shares to vote on a particular matter ("broker non-votes"), those shares will not be considered as present or represented with respect to that matter. Shares as to which proxy authority has been withheld with respect to any matter will not be considered as present or represented with respect to that matter. The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

The cost of soliciting proxies will be borne by the Company. The Company has retained the services of ChaseMellon Shareholder Services ("ChaseMellon") to act as agent in the solicitation of proxies from bankers, bank nominees and other institutional owners. The Company estimates that it will pay ChaseMellon a fee of approximately \$5,500 for its services and will reimburse ChaseMellon for certain out-of-pocket expenses. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation materials to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or other communication means.

STOCKHOLDER PROPOSALS AND NOMINATIONS TO BE VOTED ON AT ANNUAL MEETING

Stockholders of the Company may from time to time submit proposals which they believe should be voted on at the Annual Meeting or nominate persons for election to the Board of Directors. In accordance with the Company's bylaws, any such proposal or nomination must be submitted in writing to the Secretary of the Company not less than 60 days nor more than 90 days prior to the date of the Annual Meeting of Stockholders. The submission must include certain specified information concerning the proposal or nominee, as the case may be, and information about the proponent and the proponent's ownership of Common Stock of the Company. Proposals or nominations that do not meet these requirements will not be entertained at the Annual Meeting. The Secretary should be contacted in writing at the address on the first page of this Proxy Statement to make any submission, or to obtain additional information as to the proper form and content of submissions.

STOCKHOLDER PROPOSALS TO BE INCLUDED IN THE COMPANY'S 2000 PROXY STATEMENT

Pursuant to applicable rules under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), some stockholder proposals may be eligible for inclusion in the Company's 2000 Proxy Statement. Any such proposal must be received by the Company no later than June 14, 2000. Stockholders interested in submitting such a proposal are advised to contact counsel familiar with the detailed requirements of the applicable securities rules. Any such proposal then to be voted on at the Company's 2000 Annual Meeting must also then be submitted in compliance with the preceding paragraph.

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**PROPOSAL NO. 1
ELECTION OF DIRECTORS**

NOMINEES

A board of seven directors is to be elected at the Annual Meeting. The bylaws of the Company provide that the number of directors shall be fixed at seven. The proxies cannot be voted for a greater number of persons than the seven nominees named below. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the Company's seven nominees named below, each of whom is currently a director of the Company. If any nominee of the Company should decline or be unable to serve as a director as of the time of the Annual Meeting, the proxies will be voted for any substitute nominee whom shall be designated by the present Board of Directors to fill the vacancy. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner in accordance with cumulative voting as will assure the election of as many of the nominees listed below as possible, and in such event the specific nominees to be voted for will be determined by the proxy holders. Discretionary authority to cumulate the votes held by the proxy holders is solicited by this Proxy Statement. The Company is not aware of any nominee who will be unable or will decline to serve as a director. The term of office of each person elected as a director will continue until the next Annual Meeting of Stockholders, or until a successor has been elected and qualified.

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

The following table sets forth certain information concerning the nominees, which is based on data furnished by them:

NOMINEES FOR DIRECTOR	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE DURING PAST FIVE YEARS
James W. Bagley.....	60	1997	Mr. Bagley has been Chief Executive Officer and a director of the Company since August 6, 1997, the day following consummation of the merger between OnTrak Systems, Inc., a Delaware corporation ("OnTrak"), and the Company (the "Merger"). As of September 1, 1998, Mr. Bagley became Chairman of the Board of Directors. He is currently a director of KLA-Tencor Corporation, Teradyne, Inc., Kulicke & Soffe Industries, Inc., Micron Technology, Inc. and Semiconductor Equipment and Materials International (SEMI). From June 1996 to August 1997, Mr. Bagley served as Chairman of the Board and Chief Executive Officer of OnTrak. Prior to joining OnTrak, Mr. Bagley was employed by Applied Materials, Inc., most recently as Chief Operating Officer and Vice Chairman of the Board. Mr. Bagley began his career in the semiconductor industry with Texas Instruments, Inc., where he held various positions over a 15-year period.
Roger D. Emerick.....	60	1982	Mr. Emerick has been a director of the Company since 1982, and was Chairman of the Board of Directors from 1984 to 1998. From July 1982 to August 1997, Mr. Emerick was Chief Executive Officer of the Company. Mr. Emerick currently is a director of Electrogilas, Inc. and Brooks Automation, Inc. Until September 1999, Mr. Emerick also served as a director of the Fremont Bank.

NOMINEES FOR DIRECTOR	AGE	DIRECTOR SINCE	PRINCIPAL OCCUPATION AND BUSINESS EXPERIENCE DURING PAST FIVE YEARS
David G. Arscott(1,2)....	55	1980	Mr. Arscott has been a director of the Company since 1980, and was Chairman of the Board of Directors from 1982 to 1984. He is currently, and has been since 1988, a General Partner of Compass Management Partners, an investment management firm. From 1978 to 1988, Mr. Arscott was a Managing General Partner of Arscott, Norton & Associates, a venture capital firm. Mr. Arscott currently is a director of Silicon Valley Research, Inc.
Richard J. Elkus, Jr.(1).....	64	1997	Mr. Elkus has been a director of the Company since August 6, 1997, the day following consummation of the Merger. He is currently, and has been since 1996, Co-Chairman of Voyan Technology and is currently a director of KLA-Tencor Corporation, Barcelona Design and Sopa SA. From February 1994 until consummation of the merger between Tencor Instruments, Inc. ("Tencor") and KLA Instruments, Inc. in April 1997, Mr. Elkus was Vice Chairman of the Board of Tencor. From February 1994 to September 1996, Mr. Elkus was Executive Vice President of Tencor, and was one of the founders of Prometrix Corporation, which was acquired by Tencor in February 1994. Mr. Elkus was Chairman of the Board and Chief Executive Officer of Prometrix Corporation from 1983 until February 1994.
Jack R. Harris(1,2).....	57	1982	Mr. Harris has been a director of the Company since 1982. From 1986 until September 1999, Mr. Harris was Chairman, Chief Executive Officer and President of Optical Specialties, Inc. Mr. Harris is currently Chairman of HT, Inc. and Innovative Robotics Solutions. Mr. Harris currently is also a director of ILEX.
Grant M. Inman(1,2).....	57	1981	Mr. Inman has been a director of the Company since 1981. From 1985 until 1998, Mr. Inman was a General Partner of Inman & Bowman. Mr. Inman is currently President of Inman Investment Management and a director of Paychex, Inc., Wind River Systems, Inc. and ClickAction, Inc. From 1996 until 1998, Mr. Inman also served as a director of Insite Vision, Inc.
Kenneth M. Thompson(1)...	61	1998	Mr. Thompson has been a director of the Company since 1998. Prior to joining the Board, Mr. Thompson was employed by Intel Corporation for 25 years in various management positions, most recently as Vice President of Technology Manufacturing Engineering. Before joining Intel Corporation, Mr. Thompson worked with Ampex Corporation in its core memory group. Mr. Thompson currently serves as a director of Silicon Valley Group, Inc., PRI Automation, Inc., GaSonics International Corporation, Advant Com Network, Inc. and Baguda Wear Inc.

(1) Member of Audit Committee.

(2) Member of Compensation Committee.

There is no family relationship between any of the foregoing nominees, or between any of such nominees and any of the Company's executive officers.

BOARD MEETINGS AND COMMITTEES

The Board of Directors of the Company held a total of six regularly scheduled or special meetings during the fiscal year ended June 30, 1999. The Board of Directors has an Audit Committee and a Compensation Committee. The functions previously performed in fiscal 1998 by a separate Stock Committee were included in fiscal 1999 within the functions of the Compensation Committee. There is no Nominating Committee or committee performing the functions of a nominating committee.

The Audit Committee, which consisted of Messrs. Arscott, Elkus, Harris and Inman, all non-employee directors, held two meetings during fiscal 1999. Mr. Thompson has joined the Audit Committee as of fiscal 2000. This committee recommends to the Board for its approval and for ratification by the stockholders the engagement of the Company's independent auditors to serve the following fiscal year, reviews the scope of the audit, considers comments made by the independent auditors with respect to accounting procedures and internal controls and the consideration given thereto by the Company's management, and reviews internal accounting procedures and controls with the Company's financial and accounting staff.

The Compensation Committee, which consisted of Messrs. Arscott, Harris and Inman, held one meeting during fiscal 1999. This committee recommends salaries, incentives and other forms of compensation for directors, officers and other employees of the Company, administers the Company's various incentive compensation and benefit plans, and recommends policies relating to such compensation and benefit plans. This committee also approves grants of stock options, restricted stock, deferred stock and performance share awards to officers and other employees of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the beneficial ownership of shares of Common Stock of the Company by: (i) each person or entity whom, based on information obtained, the Company believes beneficially owned more than 5% of the Company's Common Stock, and the address of each such person or entity ("5% stockholder"); (ii) each current director of the Company; (iii) each named executive officer described below in the section of this Proxy Statement captioned "Executive Compensation and Other Information" ("named executive"); and (iv) all current directors and current executive officers as a group. With the exception of 5% stockholders, the information below concerning the number of shares beneficially owned is provided with respect to holdings as of September 1, 1999. With respect to the 5% stockholders, the information below is provided with respect to holdings as of June 30, 1999 (unless otherwise specified). The percent of class is

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calculated using 39,061,385 as the number of shares of the Company's Common Stock outstanding as of September 1, 1999.

NAME OF PERSON OR IDENTITY OF GROUP	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
Fidelity Management & Research..... 82 Devonshire Street Boston, Massachusetts 02109	5,791,000(1)	14.83%
James W. Bagley.....	844,000(2)	2.16%
Roger D. Emerick.....	185,128(2)	*
David G. Arscott.....	75,206(2)	*
Richard J. Elkus, Jr.	35,240(2)	*
Jack R. Harris.....	48,000(2)	*
Grant M. Inman.....	76,233(2)	*
Kenneth M. Thompson.....	6,000(2)	*
Stephen G. Newberry.....	128,334(2)	*
Hsui-Sheng (Way) Tu.....	92,268(2)	*
Mercedes Johnson.....	41,630(2)	*
Richard H. Lovgren.....	24,250(2)	*
All current directors and current executive officers as a group (14 persons).....	1,584,888(3)	4.06%

* Less than one percent

(1) This information was obtained from the Nasdaq National Market, Inc., and was identified as representing the entity's quarterly 13F filing reflecting holdings as of June 30, 1999.

(2) Includes 784,000, 169,525, 42,000, 24,450, 42,000, 42,000, 6,000, 108,334, 77,008, 38,750 and 22,780 shares subject to outstanding options that are currently exercisable or exercisable within 60 days after September 1, 1999 in favor of Mr. James W. Bagley, Mr. Roger D. Emerick, Mr. David G. Arscott, Mr. Richard J. Elkus, Jr., Mr. Jack R. Harris, Mr. Grant M. Inman, Mr. Kenneth M. Thompson, Mr. Stephen G. Newberry, Mr. Hsui-Sheng (Way) Tu, Ms. Mercedes Johnson and Mr. Richard H. Lovgren, respectively, and 23,748 shares in favor of all other current executive officers as a group.

(3) Current directors and current executive officers include: Mr. James W. Bagley, Mr. Roger D. Emerick, Mr. David G. Arscott, Mr. Richard J. Elkus, Jr., Mr. Jack R. Harris, Mr. Grant M. Inman, Mr. Kenneth M. Thompson, Mr. Stephen G. Newberry, Mr. Hsui-Sheng (Way) Tu, Ms. Mercedes Johnson, Mr. Richard H. Lovgren, Mr. Craig Garber, Mr. Gregor A. Campbell and Mr. David E. Bayly.

DIRECTOR COMPENSATION

Directors who are not employees of the Company receive annual retainers of \$15,000; meeting fees of \$1,000 for each Board of Directors meeting attended, plus reimbursement for reasonable travel expenses; fees of \$500 for each telephonic Board meeting attended (with aggregate fees for such Board meetings not to exceed \$8,000 per fiscal year); committee meeting fees of \$500 per meeting attended, plus reimbursement for reasonable travel expenses; and fees of \$250 for each telephonic committee meeting attended (with no aggregate fee limit for committee meetings). In addition, each person who is a non-employee director is automatically granted on or about December 15 of each calendar year an option to purchase 6,000 shares of the Company's Common Stock under the Company's Amended and Restated 1991 Incentive Stock Option Plan or Amended and Restated 1997 Stock Incentive Plan, at an exercise price per share equal to the fair market value of one share of the Company's Common Stock on the date of grant. Each option has a term of ten years and is immediately exercisable. The plans provide that unexercised options may be exercisable for specified periods following termination of director status, whether by death, disability or retirement, determined by years of service as a director to the Company.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

SUMMARY OF CASH AND CERTAIN OTHER COMPENSATION

The following table provides, for the three fiscal years ended June 30, 1999, 1998 and 1997, respectively, certain summary information concerning compensation paid or accrued by the Company to or on behalf of the Company's Chief Executive Officer, James W. Bagley, and each of the four other most highly compensated executive officers of the Company (determined at the end of the last fiscal year) (the "named executives").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
		SALARY (\$)(1)	BONUS (\$)(1)	OTHER ANNUAL COMPEN- SATION (\$)(3)	RESTRICTED STOCK AWARDS (\$)(5)	NUMBER OF SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPEN- SATION (\$)
James W. Bagley.....	1999	91,704		17,632(4)		480,000	4,738(6)
Chairman of the Board	1998	100,000				475,000	5,343(6)
and Chief Executive Officer	1997	N/A					
Stephen G. Newberry.....	1999	416,479		1,252		300,000	126,321(7)
President and Chief Operating Officer	1998	392,892				400,000	924(7)
	1997	N/A					
Hsui-Sheng (Way) Tu.....	1999	415,475		6,862		40,000	3,510(8)
President, Asia Pacific Operations	1998	449,251		264		80,000	3,508(8)
	1997	424,008	51,941	2,270		20,000	3,023(8)
Mercedes Johnson.....	1999	241,295	37,500(2)	826		80,000	4,714(9)
Vice President, Finance, and Chief Financial Officer	1998	260,000	37,500(2)	23		30,000	7,067(9)
	1997	50,000				75,000	252(9)
Richard H. Lovgren.....	1999	213,792	26,910			24,000	5,272(10)
Vice President, General Counsel and Secretary	1998	228,422				10,000	4,074(10)
	1997	226,813	22,261			8,000	6,021(10)

(1) Includes amounts earned and bonuses paid (if any) in fiscal 1999, 1998 and 1997, but deferred at the election of executive officer under the Company's deferred compensation plans and the Company's Employee Savings Plus Plan, a qualified defined contribution plan under Section 401(k) of the Internal Revenue Code of 1986 (as amended). Mr. Newberry's deferred interest in a signing bonus received at the outset of his employment with the Company is shown in All Other Compensation and is described in fn. 7, below.

(2) Reflects a bonus paid on the anniversary of Ms. Johnson's employment, which Ms. Johnson designated be used to offset the principal amount of a loan extended by the Company to Ms. Johnson in April 1997. See "Certain Relationships and Related Transactions," below.

(3) Includes interest earned on deferred compensation, to the extent that the interest rate exceeded 120% of the applicable federal long-term rate.

(4) Includes \$9,979 and \$4,998 in Company-provided reimbursements for certain medical and health services.

(5) No dividends are paid on restricted stock. The Company last issued restricted stock awards in June 1996.

(6) Consists of the Company's matching contributions under the Company's 401(k) plan in the amounts of \$1,597 and \$1,500 for 1999 and 1998, respectively, and \$3,141 and \$3,843 for term life insurance premiums for 1999 and 1998, respectively.

(7) Includes for fiscal 1999 \$125,000 reflecting Mr. Newberry's interest in a signing bonus received at the outset of his employment with the Company and held in his deferred compensation account, which interest vested on the first anniversary of his employment with the Company. See "Employment and Termination Agreements, Change of Control Arrangements and Retirement Benefits," "Employment Agreement with Stephen G. Newberry", below. Also includes \$1,321 and \$924 for term life insurance premiums paid in 1999 and 1998, respectively.

(8) Consists of the Company's matching contributions under the Company's 401(k) plan in the amounts of \$2,606 for 1999, \$2,500 for 1998 and \$2,375 for 1997; and \$904, \$1,008 and \$648 for term life insurance premiums for 1999, 1998 and 1997, respectively.

(9) Consists of the Company's matching contributions under the Company's 401(k) plan in the amounts of \$3,640 for 1999 and \$6,059 for 1998; and \$1,074, \$1,008 and \$252 for term life insurance premiums for 1999, 1998 and 1997, respectively.

(10) Consists of the Company's matching contributions under the Company's 401(k) plan in the amounts of \$4,326 for 1999, \$3,066 for 1998 and \$5,013 for 1997; and \$946, \$1,008 and \$1,008 for term life insurance premiums for 1999, 1998 and 1997 respectively.

In fiscal 1999, all named executives agreed to a reduction in base salaries and certain benefits in recognition of the financial environment effecting the semiconductor equipment industry and the Company.

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STOCK PLANS

Amended and Restated 1991 Incentive Stock Option Plan; Amended and Restated 1997 Stock Incentive Plan; and 1999 Stock Option Plan.

The Company's Amended and Restated 1991 Incentive Stock Option Plan (the "1991 Option Plan") permits the grant of both "incentive stock options" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), as well as nonstatutory stock options. Only employees (including employees of any company in which the Company owns directly or indirectly at least 50% of the voting shares) may receive incentive stock options, while employees, paid consultants and, in certain limited instances, outside directors, may receive nonstatutory stock options. The Amended and Restated 1997 Stock Incentive Plan (the "1997 Option Plan") provides for the grant of incentive stock options, nonstatutory stock options, restricted stock, deferred stock and performance share awards to participating officers, directors, employees, consultants and advisors of the Company and its subsidiaries. In November 1998, the Board of Directors amended the 1997 Option Plan to allow for re-pricing of stock options held by eligible employees who, at the time of any such re-pricing, were not a member of the Board of Directors, a member of the Company's senior management or a principal stockholder of the Company. Also in November 1998, the Board of Directors approved the 1999 Stock Option Plan (the "1999 Option Plan"). The 1999 Option Plan provides for the grant of nonstatutory stock options to eligible employees, consultants and advisors of the Company and its subsidiaries. However, employees who are a member of the Board of Directors, a member of the Company's senior management or a principal stockholder of the Company are not eligible to receive stock option awards under this plan.

During fiscal 1999, the Company granted options to purchase 924,000 shares to all named executives as a group (5 persons), at an average exercise price of \$14.47, options to purchase 30,000 shares to all non-employee directors serving in fiscal 1999 who were not named executives, as a group (five persons), at an average exercise price of \$18.00, and options to purchase 4,538,852 shares to all employees in fiscal 1999 as a group (excluding named executives and directors), at an average exercise price of \$19.39.* The number of options granted in fiscal 1999 to all employees as a group includes options granted in conjunction with the re-pricing program approved by the Board of Directors in November 1999 described in the preceding paragraph.

1984 Employee Stock Purchase Plan

The 1984 Employee Stock Purchase Plan (the "1984 Purchase Plan") last issued shares in September 1998, at which time all shares reserved and available for issuance under the plan were exhausted. As a result, all future offerings were suspended and the plan subsequently terminated.

1999 Employee Stock Purchase Plan

The 1999 Employee Stock Purchase Plan (the "1999 Purchase Plan") was approved by the Company's stockholders on November 5, 1998. The 1999 Purchase Plan is implemented by periodic offerings, typically lasting twelve months (and comprising three interim purchasing dates). The 1999 Purchase Plan is administered by the Board of Directors of the Company or by a committee appointed by the Board. Employees of the Company or any majority-owned subsidiary, including officers, are eligible to participate if they are customarily employed by the Company for at least 20 hours per week. The 1999 Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions (typically up to 15% of an employee's base compensation) at 85% of the fair market value thereof at the beginning or end of each offering period, whichever is lower. Employees may end their participation in an offering at any time during the offering period and participation ends automatically on termination of employment with the Company. Three million shares of the Company's Common Stock are reserved for issuance under the plan: 1,000,000

* Mr. Osamu Kano, who retired as a Director of the Company effective October 1, 1998, did not receive any option grants during fiscal 1999 and is not included in this calculation. Mr. Emerick, who continues to provide services as an employee of the Company, also did not receive any option grants during fiscal 1999.

shares may be issued at any time and an additional share (up to 2,000,000 total additional shares) may be issued for each share of the Company's Common Stock which the Company redeems in public-market or private purchases and designates for this purpose.

Performance-Based 1996 Restricted Stock Plan

In 1995, the Company adopted a Performance-Based Restricted Stock Plan, which was implemented on January 1, 1996 (the "1996 Restricted Stock Plan"). Shares were last issued under the 1996 Restricted Stock Plan in June 1996.

OnTrak Employee Stock Purchase Plan

A total of 90,000 shares of the Company's Common Stock were reserved for issuance to OnTrak employees who were participating in OnTrak's employee stock purchase plan during the purchase period in which the Merger was consummated. The OnTrak employee stock purchase plan terminated following completion of the stock purchase period on January 31, 1999. As of September 1, 1999, no shares remain available for purchase under the OnTrak employee stock purchase plan.

The following table provides certain information concerning the grants to the named executives in fiscal 1999 of options to purchase the Company's Common Stock and the potential realizable value of those options, at projected appreciation levels.

OPTION GRANTS IN LAST FISCAL YEAR INDIVIDUAL GRANTS TO THE NAMED EXECUTIVES IN FISCAL 1999

NAME	NO. OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE OF OPTIONS (\$/SH)	EXPIRATION DATE OF OPTIONS (1)	POTENTIAL REALIZABLE VALUE, AT ASSUMED ANNUAL RATES OF STOCK APPRECIATION FOR OPTION TERM (10 YRS.) (2)	
					5%	10%
James W. Bagley.....	480,000	8.79%	\$14.47	11/5/08(3a)	\$4,367,649	\$11,068,517
Stephen G. Newberry.....	300,000	5.49%	14.47	11/5/08(3b)	2,729,781	6,917,823
Hsui-Sheng (Way) Tu.....	40,000	0.73%	14.47	11/5/08(3c)	363,971	922,376
Mercedes Johnson.....	80,000	1.46%	14.47	11/5/08(3d)	727,942	1,844,753
Richard H. Lovgren.....	24,000	0.44%	14.47	11/5/08(3e)	218,382	553,426

(1) The options in this table were granted under the 1991 and 1997 Option Plans and have a 10-year expiration term. The exercisability of outstanding stock options may accelerate in certain circumstances (see "1984 Incentive Stock Option Plan," "1991 Incentive Stock Option Plan" and "1997 Stock Incentive Plan" and, with respect to options granted to Mr. Bagley and Mr. Newberry, see "Employment Termination Agreements, Change of Control Arrangements and Retirement Benefits," "Employment Agreement with James W. Bagley" and "Employment Agreement with Stephen G. Newberry," below).

(2) The "potential realizable value" shown represents hypothetical gains based on assumed annual compound stock price appreciation of 5% and 10%, from the date of grant through the full 10-year option term, net of exercise price, but before taxes associated with exercise. The amounts represent certain assumed rates of appreciation only, based on the Securities and Exchange Commission rules. Actual gains, if any, on stock option exercises depend on the future performance of the Common Stock, overall market conditions and the option holder's continued employment through the vesting period. The amounts reflected in this table may not necessarily be achieved and do not reflect the Company's actual estimate of future stock price growth.

(3) With respect to the vesting and exercisability of the granted options, the respective option agreements executed by the named executives vary and generally provide as follows:

- (a) 120,000 shares of the options shall vest and become exercisable on 3/1/99, 3/1/2000, 3/1/2001 and 3/1/2002;
- (b) 75,000 shares of the options shall vest and become exercisable on 3/1/99, 3/1/2000, 3/1/2001 and 3/1/2002;
- (c) 20,000 shares of the options shall vest and become exercisable on 1/99 and 20,000 shares on 3/2000;
- (d) 26,300 shares of the options shall vest and become exercisable on 11/99, 26,300 shares on 3/2000 and 27,400 shares on 3/2001; and
- (e) 8,000 shares of the options shall vest and become exercisable on 11/99, 3/2000 and 3/2001.

The following table provides certain information concerning the exercise of options to purchase the Company's Common Stock in the fiscal year ended June 30, 1999, and the unexercised options held as of June 30, 1999 by the named executives.

**AGGREGATED OPTION EXERCISES BY NAMED EXECUTIVES IN LAST FISCAL YEAR,
AND FISCAL YEAR-END OPTION VALUES**

NAME	NO. OF SHARES ACQUIRED ON EXERCISE	VALUE REALIZED (\$)(1)	NO. OF UNEXERCISED OPTIONS AT FISCAL YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(2)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
James W. Bagley.....	0	\$ 0	784,000	835,000	\$21,066,766	\$11,598,732
Stephen G. Newberry...	0	0	108,334	591,666	3,251,836	8,920,024
Hsui-Sheng (Way) Tu...	3,235	81,684	86,922	125,898	1,695,336	2,723,189
Mercedes Johnson.....	0	0	38,750	146,250	676,875	3,726,871
Richard H. Lovgren....	0	0	22,780	47,720	309,439	1,156,216

(1) Market value of underlying securities at date of exercise, minus the exercise price.

(2) Market value of underlying securities at fiscal year-end, minus the exercise price.

**EMPLOYMENT AND TERMINATION AGREEMENTS,
CHANGE OF CONTROL ARRANGEMENTS AND RETIREMENT BENEFITS**

EMPLOYMENT AGREEMENT WITH JAMES W. BAGLEY

On July 1, 1997, the Company signed an employment agreement with James W. Bagley which became effective on August 6, 1997, the day following consummation of the Merger (the "Bagley Agreement"). The term of the Bagley Agreement is five years, unless earlier terminated by the Company or Mr. Bagley. The Bagley Agreement provides for a base salary at the annualized rate of \$100,000. Mr. Bagley is not entitled to participate in any performance bonus plan of the Company, unless otherwise determined by the Board of Directors. As an incentive to joining the Company, Mr. Bagley was granted non-qualified stock options to purchase 250,000 shares of Common Stock (the "Incentive Options"). In lieu of additional base compensation or participation in performance bonus plans, the Company granted Mr. Bagley non-qualified stock options to purchase 225,000 shares of Common Stock (the "Base Options"). In November 1998, Mr. Bagley was granted options to purchase an additional 480,000 shares of the Company's Common Stock. Under the Bagley Agreement, Mr. Bagley is also entitled to participate in the Company's Executive Deferred Compensation Plan and other benefit plans and compensation programs generally maintained for other key executives of the Company.

In the event of a change in control of the Company or the involuntary termination of Mr. Bagley without cause, all unvested Incentive Options will automatically be accelerated in full so as to become fully vested. Mr. Bagley will have two years from the date of termination in which to exercise such options. If Mr. Bagley's employment is involuntarily terminated without cause on or after the first anniversary of the effective date of the Bagley Agreement, he will be entitled to receive a lump sum payment of \$100,000, and an automatic vesting of any unvested portion of the Base Options that would have vested within the 1-year period following the date of such termination (which vested options may be exercised within two years of termination).

The Bagley Agreement provides that for a period of 12 months following Mr. Bagley's termination of employment with the Company (other than through expiration of the Bagley Agreement), Mr. Bagley may not perform services respecting certain aspects of semiconductor manufacturing equipment and/or software for anyone other than the Company, and may not solicit any of the Company's employees to become employed by any other business enterprise.

In fiscal 1999, Mr. Bagley agreed to a reduction in base salary and certain benefits in recognition of the financial environment effecting the semiconductor equipment industry and the Company.

EMPLOYMENT AGREEMENT WITH STEPHEN G. NEWBERRY

On August 5, 1997, the Company signed an employment agreement with Stephen G. Newberry (the "Newberry Agreement"). The term of the Newberry Agreement is five years, unless earlier terminated by the Company or Mr. Newberry. The Newberry Agreement provides for a base salary at the annualized rate of \$450,000, which is to be reviewed at least annually by the Board of Directors for possible increases. Mr. Newberry is not entitled to participate in any performance bonus plan of the Company, unless otherwise determined by the Board of Directors. As an incentive to joining the Company, Mr. Newberry was granted non-qualified stock options to purchase 200,000 shares of Common Stock (the "Incentive Options"). In lieu of additional base compensation or participation in performance bonus plans, the Company granted Mr. Newberry non-qualified stock options to purchase 100,000 shares of Common Stock (the "Base Options"). In November 1998, Mr. Newberry was granted options to purchase an additional 300,000 shares of the Company's Common Stock.

Under the Newberry Agreement, Mr. Newberry is also entitled to participate in the Company's Executive Deferred Compensation Plan and other benefit plans and compensation programs generally maintained for other key executives of the Company. Mr. Newberry also received a deferred signing bonus in the amount of \$500,000, the entire amount of which was held in a deferred compensation account, pursuant to the Company's Elective Deferred Compensation Plan, with Mr. Newberry's interest in the account vesting in equal installments of 25% on each of the first four anniversaries following August 5, 1997.

In the event of a change in control of the Company or involuntary termination without cause, all unvested Incentive Options will automatically be accelerated in full so as to become fully vested, as will any Base Options that would have vested within the 1-year period following the date of such termination. Mr. Newberry will have two years from the date of termination in which to exercise such options. If Mr. Newberry's employment is involuntarily terminated without cause on or after the first anniversary of the effective date of the Newberry Agreement, he will be entitled to receive a lump sum payment equal to one times his then annual base compensation.

The Newberry Agreement provides that for a period of 12 months following Mr. Newberry's termination of employment with the Company (other than through expiration of the Newberry Agreement), Mr. Newberry may not solicit any of the Company's employees to become employed by any other business enterprise.

In fiscal 1999, Mr. Newberry agreed to a reduction in base salary and certain benefits in recognition of the financial environment effecting the semiconductor equipment industry and the Company.

CHANGE OF CONTROL ARRANGEMENTS

In addition to the change of control provisions in the foregoing agreements, the 1991, 1997 and 1999 Option Plans and the 1984 and 1999 Purchase Plans provide that, upon a merger of the Company with or into another corporation, or the sale of substantially all of the assets of the Company, each outstanding option or right to purchase Common Stock shall be assumed, or an equivalent option or right substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation does not agree to assume the option or right, or substitute an equivalent option or right, some or all of the options granted under the Option Plans shall be fully exercisable and all of the rights granted under the 1984 and 1999 Purchase Plans shall be fully exercisable following the merger for a period from the date of notice by the Board of Directors. In the case of the 1999 Option Plan, any such accelerated options will remain exercisable until expiration of the option term. Following the expiration of such periods, the options and rights will terminate.

RETIREMENT MEDICAL AND DENTAL BENEFITS

The Board of Directors approved a plan in July 1996 allowing executives who retire from the Company to continue to participate in the Company's group medical and dental plans after retirement. Additionally, in July 1998, the Board amended the Executive Deferred Compensation Plan to provide that any participant

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55 years or older may petition the Board for an early distribution of benefits under the Plan. Any such early distribution would not effect a participant's ability to continue to participate and earn benefits under this Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

LOAN TO ROGER D. EMERICK

In April 1996, Roger D. Emerick, then Chairman of the Board and Chief Executive Officer of the Company, borrowed \$600,000 from the Company pursuant to a promissory note bearing interest at 5.05% per annum. In April 1997, and again in April 1998 and April 1999, the loan was renewed by the Company. In August 1999, Mr. Emerick repaid in full the promissory note and all accrued interest. As of September 1, 1999, no loan principal or accrued interest remains outstanding.

LOAN TO MERCEDES JOHNSON

In connection with her initial and continued employment, the Company made Mercedes Johnson, Vice President, Finance and Chief Financial Officer as of May 1, 1997, a loan in the amount of \$150,000. The loan bears no interest and is payable in equal annual installments over a 4-year period. On the each of the first four anniversaries of Ms. Johnson's employment, the Company will pay Ms. Johnson a bonus in the amount of \$37,500, which amount will be used to offset the loan. In the event Ms. Johnson terminates her employment with the Company, she will be required to pay the outstanding balance of the loan in accordance with its terms. As of September 1, 1999, \$75,000 remains due and owing under the loan (and subject to future offset).

LOAN TO CRAIG GARBER

In connection with his initial and continued employment, the Company made Craig Garber, Vice President and Treasurer, a loan in September 1997 in the amount of \$60,000. The loan bears interest at 6% per annum, which is forgivable upon complete repayment of the loan. The loan is payable in equal installments over a 4-year period. On each of the first four anniversaries of Mr. Garber's employment, the Company will pay Mr. Garber a bonus in the amount of \$15,000, which amount will be used to offset the loan. In the event Mr. Garber terminates his employment with the Company, he will be required to pay the outstanding balance of the loan in accordance with its terms. As of September 1, 1999, \$45,000 remains due and owing under the loan (and subject to future offset).

INVESTMENT IN OPTICAL SPECIALTIES, INC.

On March 28, 1997, the Company invested \$4 million in an investment limited partnership, Tribridge International, L.P. (the "Partnership"), the general partner of which was a limited liability company, Tribridge Venture Management LLC (the "General Partner"). Roger D. Emerick, Grant M. Inman and Osamu Kano, each of whom was at the time of the investment a member of the Board of Directors of the Company, were the sole owners of the General Partner. The Partnership was organized for the purpose of investing in emerging technology companies. Pursuant to the terms of the partnership agreement, the General Partner would be paid an annual management fee of 1% of the Partnership's committed capital contributions. In addition, the General Partner had a carried interest in the Partnership of 4% of the \$12.5 million in capital contributions. On April 23, 1997, the Partnership made an investment of \$2 million in Optical Specialties, Inc. ("OSI"), a company of which Jack R. Harris was Chairman, Chief Executive Officer and President. Former director Osamu Kano was also at the time of the investment a director of OSI. David G. Arscott, along with Messrs. Harris and Kano, all then held shares of OSI and were, at the time of the Partnership's investment, all members of the Board of Directors of the Company. Effective July 1998, the Company withdrew its interest and participation in the Partnership, receiving a distribution of its share of uncommitted capital and retaining, by assignment from the Partnership, a residual interest in investments of the Partnership as of the date of the Company's withdrawal (including a residual interest in OSI).

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EMPLOYMENT AGREEMENT WITH ROGER D. EMERICK

In July 1996, the Company signed an employment agreement with Roger D. Emerick, then Chairman of the Board and Chief Executive Officer of the Company. The agreement, which became effective on July 1, 1996, provided that Mr. Emerick was to serve as Chief Executive Officer of the Company for a period of two years, which period extended automatically (but not beyond June 30, 2002) unless terminated by the Company or Mr. Emerick with at least 180 days' advance notice. In the event Mr. Emerick ceased to serve as the Chief Executive Officer of the Company, Mr. Emerick was originally to serve as a consultant to the Company through June 30, 2002. The agreement was amended, however, on June 26, 1997, to provide for the continued employment of Mr. Emerick following the appointment of James W. Bagley as Chief Executive Officer of the Company and again amended to reflect Mr. Emerick's resignation as Chairman of the Board of Directors, effective September 1, 1998, and continued service as an employee of the Company (as amended, the "Emerick Agreement"). As provided in the Emerick Agreement, Mr. Emerick's employment with the Company continued until June 30, 1998, which period is automatically extended (but not beyond June 30, 2002), unless terminated by the Company or Mr. Emerick with at least 180 days' advance notice, during which time Mr. Emerick shall perform such strategic, senior-level duties and responsibilities as the Company's Chief Executive Officer may assign to him. Upon expiration of Mr. Emerick's employment period, Mr. Emerick shall continue to serve as a consultant to the Company through June 30, 2002 (unless such consultancy is otherwise terminated, as provided in the Emerick Agreement).

The Emerick Agreement provided for an initial annual base salary of \$621,857 during the employment period. Effective September 1, 1998, the salary was adjusted to an annualized rate equivalent to \$33,333 per month. The Emerick Agreement also provides for an annual performance bonus of up to 50% of base salary based on attainment of certain performance targets established by the Company's Board of Directors. For services as a consultant, the Company will pay Mr. Emerick a monthly consulting fee of \$33,333. Mr. Emerick also participates in all of the incentive compensation plans and programs generally available to the senior management of the Company, as well as any employee benefit plan maintained by the Company for its employees. If Mr. Emerick's employment is involuntarily terminated without cause, he will be entitled to receive his targeted bonus amount, plus an amount equal to the consulting fee, for the period beginning on the date of termination and ending June 30, 2002, subject to a maximum of 48 months, as well as certain other benefits. In addition, upon involuntary termination without cause or a change in control of the Company, the unvested portion of Mr. Emerick's stock options and restricted stock will automatically be accelerated in full so as to become fully vested. The Emerick Agreement provides that for a period of 24 months following Mr. Emerick's termination of employment with the Company, Mr. Emerick may not perform services for any direct competitor of the Company, and may not solicit any of the Company's employees to become employed by any other business enterprise.

In July 1998, Mr. Emerick petitioned the Board to receive an early distribution of benefits under the Company's Elective Deferred Compensation Plan. Beginning September 1, 1998, Mr. Emerick received a monthly distribution of \$8,000 of benefits due him under the plan.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Jack R. Harris, director of the Company since 1982, is a member of the Compensation Committee. From 1986 through September 1999, Mr. Harris served as Chairman, Chief Executive Officer and President of Optical Specialties, Inc. ("OSI"). The Company has invested a total of \$500,000 to purchase Series A Preferred Stock and Series E Preferred Stock of OSI in two transactions. Other outside investors also participated in the transactions. The latter of the transactions took place on December 14, 1994. As noted above, the limited partnership Tribridge International, L.P. (the "Partnership") invested \$2 million in OSI on April 23, 1997; however, the Company no longer holds a direct interest in OSI or the Partnership. See "Certain Relationships and Related Transactions," above.

Grant M. Inman, director of the Company since 1981, is a member of the Compensation Committee. At the time of the Company's investment in the Partnership, Mr. Inman was a stockholder of Tribridge Venture

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Management LLC (the General Partner of the Partnership), which was paid an annual management fee of 1% of the committed capital contributions of the Partnership.

REPORT OF THE COMPENSATION COMMITTEE

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended ("Securities Act"), or the Securities Exchange Act of 1934, as amended ("Exchange Act"), that might incorporate all or portions of future filings, including this Proxy Statement, the following Report of the Compensation Committee, and the Performance Graph below, shall not be incorporated by reference into any such filings, nor shall they be deemed to be soliciting material or deemed filed with the Securities and Exchange Commission ("SEC") under the Securities Act or the Exchange Act.

The Compensation Committee (the "Committee") of the Board of Directors, composed of three non-employee directors, determines and administers the Company's executive compensation policies and programs. This committee also approves grants of stock options, restricted stock, deferred stock and performance share awards to officers and other employees of the Company.

COMPENSATION POLICIES

One of the Committee's primary goals in setting compensation policies is to maintain competitive, progressive programs to attract, retain and motivate high-caliber executives, foster teamwork and maximize the long-term success of the Company by appropriately rewarding such individuals for their achievements. Another goal is to provide an incentive to executives to focus efforts on long-term strategic goals for the Company by closely aligning their financial interests with stockholder interests. To attain these goals, the Committee has designed the Company's executive compensation program to include base salary, annual incentives and long-term incentives.

In formulating and administering the individual elements of the Company's executive compensation program, the Committee emphasizes planning, implementing and achieving long-term objectives and strives to use prudent judgment in establishing performance objectives, evaluating performance and determining actual incentive awards.

The Committee believes that the Company's executive compensation programs have met these objectives. The Company has been able to attract and retain the executive talent necessary to support the corporation and promote long-term growth. The Company has also been able to reduce the payment of bonuses during those periods, such as fiscal 1999, in which the Company's revenue and gross margins were depressed.

COMPENSATION COMPONENTS

Base Salary

The Committee establishes the base salaries of executive officers, after review of relevant data of other executives with similar responsibilities from published industry reports and surveys of similarly situated companies. Accordingly, the Committee strives to maintain the Company's annual executive salaries at levels competitive with the market average base salaries of executive officers in similar positions. The market comprises similarly sized high-technology companies within and outside the Company's industry. In addition, a large portion of each executive officer's compensation may be annual incentives in the form of a cash bonus, provided certain target performance objectives are met.

Annual Incentives

Incentive bonuses may be provided to executives as part of a competitive compensation package. The bonus levels are intended to provide the appropriate elements of variability and risk. Bonus payments may be tied specifically to targeted corporate performance. The Committee will establish a base bonus amount, determined through review of a competitive market survey for executives at similar levels, which will be

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incrementally reduced if the Company does not meet its targeted performance or increased if the Company exceeds its targeted performance. There is no minimum or maximum percentage by which a bonus can be reduced or increased.

Long-Term Incentives

Stock Options

The Committee grants stock options to focus an executive's attention on the long-term performance of the Company and on maximizing stockholder value. The grant of stock options is closely tied to individual executive performance. The Committee grants such stock options after a review of various factors, including the executive's potential contributions to the Company, current equity ownership in the Company and vesting rates of existing stock options, if any. Stock options are granted with an exercise price equal to the current fair market value of the Company's stock and utilize vesting periods intended to encourage retention of executive officers. Because of the direct benefit executive officers receive through improved stock performance, the Committee believes stock options serve to align the interests of executive officers closely with those of other stockholders.

Restricted Stock

Restricted stock awards may be granted to executives under the 1996 Restricted Stock Plan (which was approved by the Company's stockholders in 1995). The award of restricted stock is based on the Company's performance measured against quarterly targets. Because the restricted stock does not vest until five years after the date of the award, the 1996 Restricted Stock Plan is expected to serve as a retention tool, as well as a means of aligning executive and stockholder interests. Shares were last issued under the Restricted Stock Plan in June 1996.

Deferred Compensation Plan

Another component of the Company's executive compensation program is the Executive Deferred Compensation Plan (the "Deferred Plan"), a voluntary, non-tax-qualified, deferred compensation plan that encourages officers to save for retirement. Under the Deferred Plan, participants are entitled to defer compensation until retirement, death, other termination of employment, or until specified dates. As amended by the Board in July 1998, Deferred Plan participants 55 years or older may petition the Board for an early distribution of benefits, which early distribution would not affect the participant's ability to continue to participate or earn benefits under the Deferred Plan. Participants receive a fixed-rate yield based on the average annual interest rate of 10-year United States Treasury Notes for the previous ten years. An enhanced yield of up to 115% of the fixed-rate yield will be payable in the event of death, retirement under certain circumstances, and termination of employment after plan participation for a specified number of years. Because the benefits of the Deferred Plan increase with each year of participation, offering the Deferred Plan to executives encourages them to stay with the Company.

COMPENSATION OF CHIEF EXECUTIVE OFFICER

The Committee bases the compensation of the Company's Chief Executive Officer on the policies and procedures described above. In determining the Chief Executive Officer's base salary and bonus (if any), the Committee examines compensation levels for other chief executive officers in high-technology firms within and outside the industry. The Committee compares this information to the relevant performance of such firms relative to the Company's performance.

James W. Bagley

In accordance with the Bagley Agreement, Mr. Bagley, Chief Executive Officer since August 6, 1997, was to receive a base salary in fiscal 1999 of \$100,000. However, Mr. Bagley agreed to reduce his base salary and certain benefits to \$91,704 in recognition of the financial environment effecting the semiconductor equipment industry and the Company. Mr. Bagley is not entitled to participate in any performance bonus plan

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of the Company, unless otherwise determined by the Board of Directors. As an incentive to joining the Company, Mr. Bagley was granted in 1997 non-qualified stock options to purchase 475,000 shares of Common Stock and received an additional grant in fiscal 1999 of options to purchase 480,000 shares of Common Stock. See the discussion of Mr. Bagley's Employment Agreement in "Employment and Termination Agreements, Change of Control Arrangements and Retirement Benefits," above.

EFFECT OF SECTION 162(M) OF THE INTERNAL REVENUE CODE

Section 162(m) of the Code generally limits the corporate deduction for compensation paid to certain executive officers to \$1 million, unless the compensation is performance-based. The Committee has carefully considered the potential impact of this tax code provision on the Company and has concluded in general that the best interests of the Company and the stockholders will be served if certain of the Company's stock-based long-term incentives qualify as performance-based compensation within the meaning of the Code. It is the Committee's intention that, so long as it is consistent with the Company's overall compensation objectives, virtually all executive compensation will be deductible by the Company for federal income tax purposes.

COMPENSATION COMMITTEE

David G. Arscott

Jack R. Harris

Grant M. Inman

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COMPARATIVE STOCK PERFORMANCE

Set forth below is a line graph comparing the cumulative total stockholder return on the Company's Common Stock ("LRCX") for the last five fiscal years against the cumulative total return on the Nasdaq National Market Index (U.S. companies only) ("NASDAQ") and the Solomon Smith Barney Semiconductor Equipment Index ("SSB") over the same period. The graph and table assume that the investment in Lam Common Stock and each index was \$100 on July 1, 1994, and that dividends, if any, were reinvested. This data was furnished by Salomon Smith Barney. The Nasdaq National Market Index and the Solomon Smith Barney Semiconductor Equipment Index are based on a calendar year. The Company's return is based on its fiscal year. The stock price performance shown on the graph is not necessarily indicative of future price performance.

LAM RESEARCH CORPORATION SALOMON SMITH BARNEY SEMICONDUCTOR EQUIPMENT INDEX NASDAQ NATIONAL MARKET -- U.S. INDEX

	LRCX	NASD	SSB
7/1/94	100.00	100.00	100.00
	100.89	102.29	103.19
	126.79	108.45	122.68
9/30/94	143.75	108.28	128.86
	160.71	110.13	146.35
	150.89	106.28	138.14
12/31/94	133.04	106.52	130.19
	133.93	106.97	126.98
	142.86	112.43	143.74
3/31/95	159.82	115.76	162.86
	180.36	119.55	175.89
	204.46	122.47	197.46
6/30/95	228.57	132.22	223.16
	243.75	141.82	257.15
	215.18	144.50	242.04
9/30/95	213.39	147.82	232.93
	217.41	146.76	229.81
	195.54	150.04	203.61
12/31/95	163.39	149.04	170.55
	152.68	150.12	164.36
	131.70	155.82	149.86
3/31/96	125.00	156.01	140.67
	144.64	168.64	165.28
	141.96	176.13	155.82
6/30/96	92.86	167.86	123.43
	79.46	153.07	101.47
	84.38	161.69	107.26
9/30/96	95.09	173.79	119.45
	87.05	173.03	116.59
	128.13	182.35	168.57
12/31/96	100.45	182.88	160.17
	144.20	195.46	211.63
	136.16	185.42	206.79
3/31/97	120.54	173.06	189.52
	103.57	178.59	212.52
	129.91	198.36	252.66
6/30/97	132.36	204.27	264.02
	188.84	225.76	334.99
	201.79	224.85	364.17
9/30/97	166.07	238.78	359.05
	129.02	225.74	253.98
	109.38	226.72	235.34
12/31/97	104.46	222.44	220.52
	81.47	229.38	237.27
	100.89	250.79	278.85
3/31/98	100.45	260.03	252.57
	110.71	264.66	257.68
	85.04	251.98	221.31
6/30/98	68.30	268.39	199.14
	64.06	265.23	218.87
	39.06	212.37	158.95
9/30/98	35.71	239.93	166.27
	51.56	250.92	237.69
	63.84	276.15	258.76
12/31/98	63.61	310.60	293.65
	137.05	354.96	431.37
	105.58	324.10	369.81
3/31/99	103.57	348.66	399.57
	112.50	360.20	352.76
	99.11	349.95	421.62
6/30/99	166.74	380.49	490.82

PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Unless marked to the contrary, proxies received will be voted "FOR" the ratification of the appointment of Ernst & Young LLP as the independent auditors for the Company for the current fiscal year. Ernst & Young LLP has been the Company's independent auditors since fiscal year 1981.

The audit services of Ernst & Young LLP during fiscal 1999 included the examination of the consolidated financial statements of the Company and services related to filings with the SEC and other regulatory bodies.

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The Audit Committee of the Company meets with Ernst & Young LLP on an annual or more frequent basis. At such time, the Audit Committee reviews both audit and non-audit services performed by Ernst & Young LLP for the preceding year, as well as the fees charged for such services. Among other things, the Committee examines the effect that the performance of non-audit services may have upon the independence of the auditors.

A representative of Ernst & Young LLP is expected to be present at the Annual Meeting and will have an opportunity to make a statement if he or she so desires. The representative will also be available to respond to appropriate questions from the stockholders.

Approval of Proposal No. 2 will require the affirmative vote of a majority of the outstanding shares of Common Stock present or represented and entitled to vote at the Annual Meeting.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE "FOR"
THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS
INDEPENDENT AUDITORS FOR FISCAL YEAR 2000.**

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's executive officers, directors and persons who own more than 10% of a registered class of the Company's equity securities to file an initial report of ownership on Form 3 and changes in ownership on Forms 4 or 5 with the SEC. Executive officers, directors and greater than 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) forms they file. Specific due dates for these reports have been established, and the Company is required to disclose in this Proxy Statement any failure to file such reports on a timely basis. Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that all of these requirements were satisfied during the last fiscal year.

OTHER MATTERS

The Company knows of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the proxy holders named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend.

It is important that your stock be represented at the meeting, regardless of the number of shares which you hold. You are, therefore, urged to execute and return, at your earliest convenience, the accompanying proxy card in the envelope which has been enclosed.

By Order of the Board of Directors,

LOGO
Richard H. Lovgren
Secretary

Fremont, California
Dated: October 12, 1999

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**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
OF
LAM RESEARCH CORPORATION
IN CONJUNCTION WITH THE
1999 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON
NOVEMBER 4, 1999**

The undersigned stockholder of LAM RESEARCH CORPORATION, a Delaware corporation (the "Company"), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated October 12, 1999, and 1999 Annual Report to Stockholders, and hereby appoints James W. Bagley and Richard H. Lovgren, or either of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 1999 Annual Meeting of Stockholders of LAM RESEARCH CORPORATION to be held on Thursday, November 4, 1999 at 11:00 a.m. local time, at the principal executive offices of the Company at 4650 Cushing Parkway, Fremont, California 94538, and for any adjournment or adjournments thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote if then and there personally present, on the matters set forth below and, in their discretion, upon such other matter or matters which may properly come before the meeting or any adjournment or adjournments thereof.

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS INDEPENDENT AUDITORS FOR THE CURRENT FISCAL YEAR AND, AS SAID PROXIES DEEM ADVISABLE, ON SUCH OTHER MATTER OR MATTERS AS MAY PROPERLY COME BEFORE THE MEETING.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

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THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF THE COMPANY.

1. Election of Directors:

FOR all nominees listed WITHHOLD
below (except as
indicated)

[] []

(IF YOU WISH TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A
LINE THROUGH THAT NOMINEE'S NAME IN THE LIST BELOW)

James W. Bagley; Roger D. Emerick; David G. Arscott; Richard J. Elkus, Jr.; Jack R. Harris; Grant M. Inman; Kenneth M. Thompson

2. Proposal to ratify the appointment of Ernst & Young LLP as the independent auditors of the Company for the fiscal year 2000:

For Against Abstain

[] [] []

(This Proxy should be marked, dated and signed by the stockholder(s)
exactly as his or her name appears hereon, and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so
indicate. If shares are held by joint tenants or as community property, all such stockholders should sign.)

Signature(s):

Dated: -----, 1999

(Be sure to date Proxy.)

Please mark, sign, date and return the proxy card promptly, using the enclosed return-addressed and postage-paid envelope.

End of Filing