
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended September 29, 2002 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-12933

LAM RESEARCH CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-2634797

(I.R.S. Employer Identification Number)

**4650 Cushing Parkway
Fremont, California 94538**

(Address of principal executive offices including zip code)

(510) 572-0200

(Registrant's telephone number, including area code)

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

As of November 8, 2002, there were 125,368,223 shares of Registrant's Common Stock outstanding.

LAM RESEARCH CORPORATION
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LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	September 29, 2002	June 30, 2002
	----- (unaudited)	----- (1)
Assets		
Cash and cash equivalents.....	\$ 169,430	\$ 172,431
Short-term investments.....	371,029	701,774
Accounts receivable, net.....	136,352	132,113
Inventories.....	161,220	180,799
Other current assets.....	21,937	43,080
Deferred income taxes.....	128,342	125,227
	-----	-----
Total current assets.....	988,310	1,355,424
Property and equipment, net.....	63,105	67,496

Restricted cash.....	61,907	70,983
Deferred income taxes.....	88,307	86,231
Other assets.....	63,094	52,157
	-----	-----
Total assets.....	\$ 1,264,723	\$ 1,632,291
	=====	=====
Liabilities and stockholders' equity		
Trade accounts payable.....	\$ 38,894	\$ 59,806
Accrued expenses and other current liabilities.....	158,932	159,012
Deferred profit.....	71,092	63,435
Current portion of long-term debt, capital lease obligations and other long-term liabilities	5,411	315,291
	-----	-----
Total current liabilities.....	274,329	597,544
Long-term debt and other long-term liabilities less current portion.....	372,033	359,691
	-----	-----
Total liabilities.....	646,362	957,235
Commitments and contingencies		
Preferred stock, at par value of \$0.001 per share; authorized -- 5,000 shares, none outstanding.....	--	--
Common stock, at par value of \$0.001 per share; authorized -- 400,000 shares; issued and outstanding -- 125,318 shares at September 29, 2002 and 127,978 shares at June 30, 2002.....	125	128
Additional paid-in capital.....	545,025	542,228
Treasury stock, at cost.....	(50,246)	(9,100)
Accumulated other comprehensive loss.....	(18,215)	(15,240)
Retained earnings.....	141,672	157,040
	-----	-----
Total stockholders' equity.....	618,361	675,056
	-----	-----
Total liabilities and stockholders' equity.....	\$ 1,264,723	\$ 1,632,291
	=====	=====

(1) Derived from June 30, 2002 audited financial statements.

See Notes to Condensed Consolidated Financial Statements.

LAM RESEARCH CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)
(unaudited)

	Three Months Ended	
	September 29, 2002	September 23, 2001
	-----	-----
Total revenue.....	\$ 197,520	\$ 339,580
Cost of goods sold.....	118,526	213,869
Cost of goods sold - restructuring charges.....	--	7,600
	-----	-----
Gross margin	78,994	118,111
Research and development.....	41,382	47,230
Selling, general and administrative...	33,359	47,165
Restructuring charges.....	--	13,448
	-----	-----
Operating income	4,253	10,268
Other expense, net.....	(17,069)	(18,179)
	-----	-----
Loss before income taxes.....	(12,816)	(7,911)
Income tax expense	898	1,009
	-----	-----
Net Loss	\$ (13,714)	\$ (8,920)

Net loss per share:		
Basic net loss per share.....	\$ (0.11)	\$ (0.07)
Diluted net loss per share.....	\$ (0.11)	\$ (0.07)
Number of shares used in per share calculations:		
Basic.....	126,931	125,340
Diluted.....	126,931	125,340

See Notes to Condensed Consolidated Financial Statements.

LAM RESEARCH CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended	
	September 29, 2002	September 23, 2001
Net loss.....	\$ (13,714)	\$ (8,920)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Loss on equity derivative contracts in company stock.....	16,407	17,994
Depreciation and amortization.....	11,011	15,954
Deferred income taxes.....	(5,190)	--
Restructuring charges.....	--	21,048
Other.....	564	--
Change in working capital accounts.....	(7,531)	(48,937)
Net cash provided by/(used for) operating activities...	1,547	(2,861)
Cash flows from investing activities:		
Capital expenditures	(3,523)	(2,003)
Purchases of available-for-sale securities.....	(76,052)	(734,147)
Sales of available-for-sale securities.....	406,250	612,526
Restricted cash released upon settlement of equity derivatives in company stock.....	9,076	--
Other, net.....	501	(272)
Net cash provided by/(used for) investing activities...	336,252	(123,896)
Cash flows from financing activities:		
Net proceeds from issuance of short and long term debt.....	--	--
Principal payments and redemptions on long-term debt and capital lease obligations.....	(309,886)	(604)
Treasury stock purchases.....	(39,122)	(10,678)
Reissuances of treasury stock.....	4,753	6,646
Proceeds from issuance of common stock.....	2,794	3,623
Net cash used for financing activities.....	(341,461)	(1,013)
Effect of exchange rate changes on cash.....	661	1,110
Net decrease in cash and cash equivalents.....	(3,001)	(126,660)
Cash and cash equivalents at beginning of period.....	172,431	221,659

Cash and cash equivalents at end of period..... \$ 169,430 \$ 94,999
=====

See Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 29, 2002
(Unaudited)

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Lam Research Corporation (the "Company" or "Lam") for the fiscal year ended June 30, 2002, which are included in the Annual Report on Form 10-K, File Number 0-12933. Lam's Form 10-K is available online at the Securities and Exchange Commission website on the Internet. The address of that site is <http://www.sec.gov>. Lam also posts the Form 10-K on the corporate website at <http://www.lamrc.com>.

The Company's reporting period is a 52/53-week fiscal year. The Company's current fiscal year will end June 29, 2003 and includes 52 weeks. The quarters ended September 29, 2002 and September 23, 2001 each included 13 weeks.

NOTE B -- RECENT ACCOUNTING PRONOUNCEMENTS

Costs associated with Exit or Disposal Activities: In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" (FAS 146). FAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between FAS 146 and EITF 94-3 relates to FAS 146's requirements for the timing of recognizing a liability for a cost associated with an exit or disposal activity. FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3 a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. FAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. FAS 146 is applied prospectively upon adoption and is not anticipated to have a material impact on the Company's current financial position or results of operations.

Consolidation of Certain Special-Purpose Entities: In June 2002, the FASB issued an Exposure Draft of a proposed Interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements "Consolidation of Certain Special-Purpose Entities"(the proposed Interpretation or Exposure Draft) that establishes accounting guidance for consolidation of special-purpose entities ("SPE"). The proposed Interpretation will apply to any business enterprise, both public and private, that has a controlling interest, contractual relationship or other business relationship with a SPE. The Exposure Draft provides guidance for determining when an entity, the Primary Beneficiary, should consolidate another entity, a SPE, that functions to support the activities of the Primary Beneficiary. The proposed Interpretation may result in the Company having to consolidate the operating results of a special purpose entity or similar entity, which is a lessor under some of the Company's operating lease agreements. The FASB expects to issue the Interpretation in the fourth quarter of calendar year 2002. The effective date of these proposed new rules on the Company's current operating leases could be as early as the beginning of our fiscal quarter ending June 2003, and sooner on any new leases entered into after the new rules' effective date which utilize special purpose entities or equivalent lease structures. Implementation of this Exposure Draft, when and if it becomes a final accounting rule, could require the Company to consolidate the activities of the SPE and recognize the asset and related liability.

Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others: In May 2002, the FASB issued an Exposure Draft of a proposed Interpretation that would require a company that is a guarantor to make specific disclosures about its obligations under certain guarantees that it has issued. The proposed Interpretation would also require a company ("the guarantor") to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee. The proposed Interpretation does not provide guidance on the subsequent measurement of the guarantor's recognized liability over the term of the related guarantee. The proposed Interpretation would also incorporate, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others " which is being superseded. Implementation of this Exposure Draft, when and if it becomes a final accounting rule would be effective for financial statements for periods ending after December 15, 2002 and would be applied only on a prospective basis to guarantees issued after December 31, 2002. Because the proposed Interpretation is to be applied prospective, it would not have a material impact on the Company's current financial position or results of operations.

NOTE C -- INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories consist of the following:

	September 29, 2002	June 30, 2002

	(in thousands)	
Raw materials.....	\$ 96,743	\$ 108,595
Work-in-process.....	41,510	45,309
Finished goods.....	22,967	26,895

	\$ 161,220	\$ 180,799
	=====	

NOTE D -- PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	September 29, 2002	June 30, 2002

	(in thousands)	
Manufacturing and other equipment ..	\$ 119,947	\$ 123,117
Leasehold improvements.....	65,935	65,749
Furniture and fixtures.....	5,190	5,246
Computer equipment and software.....	72,765	73,769

	263,837	267,881
Less accumulated depreciation and amortization.....	(200,732)	(200,385)

	\$ 63,105	\$ 67,496
	=====	

NOTE E --INTANGIBLE ASSETS

Effective July 1, 2002, the beginning of fiscal 2003, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" (FAS 142). FAS 142 requires that goodwill and certain other intangible assets be tested for impairment at least annually and written down only when determined to be impaired, replacing the previous accounting practice of ratably amortizing these items over their estimated useful lives. Intangible assets other than goodwill that have a finite life continue to be amortized over their useful lives. The Company has no goodwill or intangible assets with indefinite lives. The Company's finite-lived intangible assets consist of purchased intellectual property rights and the licensed use of patents that are still being amortized over their original expected useful lives. Consequently, there was no impact on the Company's financial position or results of operations upon the adoption of FAS 142.

As of September 29, 2002, the Company's finite-lived intangible assets consisted of the following:

	September 29, 2002		June 30, 2002	
	-----		-----	
	Gross	Accumulated	Gross	Accumulated
	Carrying	Amortization	Carrying	Amortization
	Amount	Amount	Amount	Amount
	-----		-----	
	(in thousands)			
Intellectual property rights..	\$ 3,500	\$ 1,525	\$ 3,500	\$ 1,350
Licenses.....	2,700	810	2,700	540
	-----		-----	
	\$ 6,200	\$ 2,335	\$ 6,200	\$ 1,890
	=====		=====	

Total amortization expense for the three months ended September 29, 2002 and September 23, 2001, was \$445,000 and \$175,000, respectively. Intellectual property rights have an estimated life of 5 years and licenses have an estimated life of 2.5 years. The weighted average useful life of all intangible assets is approximately 4.0 years.

Estimated future intangible asset amortization expense for the remainder of fiscal 2003, and for the five fiscal years thereafter, is as follows:

Period	Amount

	(in thousands)
Remainder of fiscal 2003... \$	1,335
Fiscal 2004.....	1,780

Fiscal 2005.....	550
Fiscal 2006.....	200
Thereafter.....	-

	\$ 3,865
	=====

NOTE F -- OTHER EXPENSE, NET

The significant components of Other Expense, net are as follows:

	Three Months Ended	
	September 29, 2002	September 23, 2001

	(in thousands)	
Loss on equity derivative contracts	\$ (16,407)	\$ (17,994)
Interest expense.....	(3,670)	(7,234)
Interest income.....	5,715	9,068
Foreign exchange loss	(969)	(1,136)
Other, net	(1,738)	(883)
	-----	-----
	\$ (17,069)	\$ (18,179)
	=====	=====

NOTE G -- NET LOSS PER SHARE

Basic net loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The computation of basic net income (loss) per share for all periods presented is derived from the information on the face of the income statement, and there are no reconciling items in either the numerator or denominator. For all periods presented, diluted net loss per share is equal to basic net loss per share.

	Three Months Ended	
	September 29, 2002	September 23, 2001

	(in thousands, except per share data)	
Numerator:		
Basic net loss from continuing operations.....	\$ (13,714)	\$ (8,920)
Add: Interest expense on convertible subordinated notes, net of taxes ...	--	--
	-----	-----
Diluted net loss from continuing operations.....	\$ (13,714)	\$ (8,920)
	=====	=====
Denominator:		
Basic average shares outstanding.....	126,931	125,340
Effect of potential dilutive securities:		
Employee stock plans and warrants..	--	--
Convertible subordinated notes.....	--	--
	-----	-----
Diluted average shares outstanding....	126,931	125,340
	=====	=====
Income (loss) per share from continuing operations - Basic.....	(\$0.11)	(\$0.07)
	=====	=====
Income (loss) per share from continuing operations - Diluted.....	(\$0.11)	(\$0.07)
	=====	=====

For the three-month period ended September 29, 2002, options, warrants and convertible securities were outstanding, but all 30,927,000 potential common shares issuable upon the exercise or conversion of these instruments were excluded from the computation of diluted net loss per common share because the effect would have been antidilutive due to the net loss recorded for the period. For the three-month period ended September 23, 2001, options and convertible securities were outstanding, but all 29,799,000 potential common shares issuable upon the exercise or conversion of these instruments were excluded from the computation of diluted net loss per common share because the effect would have been antidilutive due to the net loss recorded for the period.

NOTE H - COMPREHENSIVE INCOME (LOSS)

The components of comprehensive loss, net of tax, are as follows:

	Three Months Ended	
	September 29, 2002	September 23, 2001

	(in thousands)	
Net loss	\$ (13,714)	\$ (8,920)
Foreign currency translation adjustment.....	(2,190)	3,442
Changes in fair value of derivative financial instruments, net....	(785)	75
	-----	-----
Comprehensive loss	\$ (16,689)	\$ (5,403)
	=====	=====

Accumulated other comprehensive loss, net of tax, is as follows:

	September 29, 2002	June 30, 2002

	(in thousands)	
Accumulated foreign currency translation adjustment.....	(\$18,648)	(\$16,458)
Accumulated unrealized gain on derivative financial instruments.....	433	1,218
	-----	-----
Accumulated other comprehensive loss.....	(\$18,215)	(\$15,240)
	=====	=====

NOTE I -- DERIVATIVE INSTRUMENTS AND HEDGING

The Company carries derivative financial instruments (derivatives) on the balance sheet at their fair value. Changes in the fair value of derivatives that are not designated or that do not qualify as hedges under Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("FAS 133") are recognized in earnings immediately. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative are either offset against the change in fair value of assets, liabilities, or firm commitments through earnings (fair value hedges) or recognized in other comprehensive income (loss) ("OCI") until the hedged item is recognized in earnings (cash flow hedges). The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

In most countries, the Company's system sales are generally transacted in U.S. dollars. Spare parts and service sales, in Europe and the U.S. are generally denominated in U.S. dollars and in Asia Pacific they are generally denominated in the local country's currency. In Japan, the Company generally sells its systems, spare parts and services in Japanese Yen. Therefore, in the normal course of business, the Company's financial position is routinely subjected to market risk associated with foreign currency rate fluctuations.

The Company's policy is to minimize short-term business exposure to foreign exchange risks using the most effective and efficient methods to eliminate or reduce such exposures. To protect against the reduction in value of forecasted Yen-denominated cash flows resulting from sales in Japanese Yen, the Company has instituted a foreign currency cash flow hedging program. The Company purchases foreign currency forward exchange contracts generally expiring within 12 months, and no later than 24 months. These foreign currency forward exchange contracts, designated as cash flow hedges, are carried on the Company's balance sheet at fair value with the effective portion of the contracts' gains or losses included in accumulated other comprehensive income (loss) and subsequently recognized in earnings in the same period the hedged revenue is recognized. The Company does not use derivatives for trading purposes.

Cash flow hedges include time value and are tested for effectiveness by comparing the foreign currency forward rates at inception to the current market forward rate. No hedge ineffectiveness was included in earnings during the three-month period ended September 29, 2002.

If a cash flow hedge is discontinued because it is probable that the original forecasted transaction will not occur, the net gain or loss included in accumulated other comprehensive income (loss) will be reclassified into earnings as a component of Other Income (Expense), net. For the quarter ended September 29, 2002 the Company recorded a \$73,000 gain for cash flow hedges that have been discontinued, because the original forecasted transactions did not occur. The gains are recorded in the Other Income (Expense), net in the September 2002 Condensed Consolidated Statement of Operations.

The following table summarizes activity in accumulated other comprehensive income (loss), net of tax, related to derivatives classified as cash flow hedges held by the Company:

	(in thousands)	

Balance at June 30, 2002.....	\$ 1,218	
Reclassified into income from other comprehensive income...	3	
Changes in fair value of derivative financial instruments, net.....	(788)	

Balance at September 29, 2002	\$ 433	

At September 29, 2002, the Company expects to reclassify the balance of deferred hedging gains and losses, net, included in accumulated comprehensive income (loss) to earnings during the next 12 months due to the recognition in earnings of the hedged forecasted transactions.

The Company also enters into foreign currency forward contracts to hedge the gains and losses generated by the remeasurement of foreign currency denominated intercompany receivables. Under FAS 133, these are not designated hedges. Therefore, the change in fair value of these derivatives is recorded in income as a component of Other Income (Expense), net and offsets the change in fair value of the foreign currency denominated intercompany receivables.

The Company also has a policy to, where possible and practical, minimize the impact of interest rate exposure associated with its interest rate sensitive investments and debt obligations. To limit the impact relating to interest rate exposure associated with its fixed rate 4% Convertible Subordinated Notes ("4% Notes"), the Company is a party to an interest rate swap agreement ("the swap") with a notional amount of \$300.0 million. Under the terms of the swap, the Company exchanges the fixed interest payments on its 4% Notes for variable interest payments based on the London Interbank Offered Rate ("LIBOR"). The swap is accounted for as a fair value hedge under the provisions of FAS 133. Fluctuations in the fair value of the 4% Notes, resulting from changes in the LIBOR interest rate sensitive component are recorded in earnings, and offset by changes in the fair value of the swap, which are also recorded in earnings.

As a result of designating the swap as a hedge of its 4% Notes, the carrying value of the 4% Notes is adjusted to reflect changes in fair value attributable to changes in the benchmark interest rate. Through the quarter ended September 29, 2002, the carrying value of the 4% Notes included in Long Term Debt was increased by \$12.7 million (to \$316.2 million) with the corresponding loss for the quarter recorded in Other Expense, net. Over the same period, the fair value of the swap, included in Long Term Assets, increased by \$12.6 million (to \$15.8 million) with the corresponding offsetting gain for the quarter recorded in Other Expense, net.

Hedge ineffectiveness associated with the swap results when changes in the fair value of the swap differ from changes in the fair value of the 4% Notes attributable to changes in the benchmark interest rate. For the 3-month period ended September 29, 2002, the Company recognized net losses of \$137,000 in Other Income (Expense), net, resulting from hedge ineffectiveness related to differences in changes in the fair value of the swap and changes in the fair value of the 4% Notes.

NOTE J -- RESTRUCTURING ACTIVITIES

In April 2001, the Company announced its intention to reduce its global workforce up to 15% during the fourth quarter of fiscal 2001 ("the June 2001 Plan"). The reduction in force was driven by the then anticipated level of decline in the Company's revenues due to the forecasted level of contraction of the Company's served market from calendar year 2000. During the fourth quarter of fiscal 2001, the appropriate level of management necessary to commit to the specific actions of the plan approved the June 2001 Plan. The Company began implementing the announced restructuring plan and reduced its workforce by approximately 11% prior to June 24, 2001. The Company recorded a restructuring charge of \$16.8 million which included severance and benefits for involuntarily terminated employees, charges for remaining lease payments and leasehold improvements on vacated facilities, and charges for inventories of an etch product line that has been discontinued. In addition, the Company consolidated its Fremont manufacturing facilities and wrote-off the carrying cost of abandoned facility assets. During the fourth quarter of fiscal 2002, the Company determined that outplacement services guaranteed by the Company for terminated employees and other employee benefit costs were not going to be fully utilized and therefore recovered \$1.4 million of restructuring charges recorded in the fourth quarter of fiscal 2001. The Company also recovered \$0.9 million from certain of its etch product line inventory previously segregated and written off.

Below is a table summarizing activity relating to the June 2001 Plan:

	Severance and Benefits	Lease Payments on Vacated Facilities	Abandoned Fixed Assets	Discontinued Inventory	Other Exit Costs	Total
(in thousands)						
June 2001 provision.....	\$ 8,282	\$ 1,312	\$ 3,036	\$ 3,732	\$ 407	\$ 16,769
Cash payments.....	(4,067)	--	--	--	--	(4,067)
Non-cash charges.....	--	--	(3,036)	(3,732)	(10)	(6,778)
Balance at June 24, 2001.....	4,215	1,312	--	--	397	5,924
Recovery of assets.....	--	--	--	889	--	889
Cash payments.....	(1,507)	(706)	--	--	(27)	(2,240)
Non-cash charges.....	(819)	--	--	--	(322)	(1,141)
Reversal of restructuring charges..	(1,359)	--	--	(889)	--	(2,248)
Balance at June 30, 2002.....	530	606	--	--	48	1,184
Cash payments.....	(12)	(207)	--	--	--	(219)
Non-cash charges.....	(13)	--	--	--	--	(13)
Balance at September 29, 2002.....	\$ 505	\$ 399	\$ --	\$ --	\$ 48	\$ 952

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to June 24, 2001, management, with the proper level of authority, approved and committed to the plan of termination, determined the benefits the terminated employees would receive and communicated the severance package to employees in enough detail that they could

determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$0.5 million as of September 29, 2002 is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to 24 months of rent (or the remainder of the lease term, if less) after the abandonment of certain facilities currently under long-term operating lease agreements. The Company estimated, given prevailing real estate market conditions, that it would take approximately 24 months to sublease its vacated buildings in Fremont, California. When applicable, anticipated future sublease income relating to vacated buildings has been offset against the charge for the remaining lease payments.

The Company wrote-off all leasehold improvements relating to the vacated buildings of approximately \$1.5 million, as these items will have no future economic benefit and have been abandoned. In addition, certain demonstration equipment and etch manufacturing inventory were abandoned and written-off.

Other exit costs relate to customer accommodations for the discontinued product line and expenses associated with capital improvements to the vacated facilities.

By mid to late summer of 2001, further deterioration in semiconductor sales resulted in a lower outlook for the wafer fabrication equipment market and therefore in the Company's revenues. Consequently, in August 2001, the Company announced a new plan ("the September 2001 Plan") to further reduce its fixed cost infrastructure, including an approximate 10% reduction-in-force. During the first quarter of fiscal year 2002, the September 2001 Plan was approved by the appropriate level of management necessary to commit to the specific actions of the plan. The Company began implementing the announced restructuring activities and reduced its workforce by approximately 550 employees, worldwide, prior to September 23, 2001. The Company recorded a restructuring charge of \$21.0 million which included severance and benefits for involuntarily terminated employees, charges for remaining lease payments and leasehold improvements on vacated facilities, and write-offs for inventories of selected, older etch product lines that were discontinued. During the fourth quarter of fiscal 2002, the Company determined that outplacement services guaranteed by the Company for terminated employees and other employee benefit costs were not going to be fully utilized and therefore recovered \$0.7 million of restructuring charges recorded in the first quarter of fiscal 2002. The Company also recovered \$0.8 million from certain of its older etch inventories previously segregated and written-off and \$0.3 million from facilities leases.

Below is a table summarizing activity relating to the September 2001 Plan:

	Severance and Benefits	Lease Payments on Vacated Facilities	Abandoned Fixed Assets	Discontinued Inventory	Total
(in thousands)					
September 2001 provision.....	\$ 10,767	\$ 1,746	\$ 935	\$ 7,600	\$ 21,048
Recovery of assets.....	--	--	--	785	785
Cash payments.....	(8,135)	(762)	--	--	(8,897)
Non-cash charges.....	(1,035)	--	(935)	(7,600)	(9,570)
Reversal of restructuring charges..	(695)	(317)	--	(785)	(1,797)
Balance at June 30, 2002.....	902	667	--	--	1,569
Cash payments.....	(77)	(124)	--	--	(201)
Non-cash charges.....	(8)	--	--	--	(8)
Balance at September 29, 2002.....	\$ 817	\$ 543	\$ --	\$ --	\$ 1,360

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to September 23, 2001, management, with the proper level of authority, approved and committed to the plan of termination, determined the benefits the terminated employees would receive and communicated the severance package to employees in enough detail that they could determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$0.8 million as of September 29, 2002 is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to 24 months of rent (or the remainder of the lease term, if less) after the abandonment of certain facilities currently under long-term operating lease agreements. The Company estimated, given prevailing real estate market conditions, that it would take approximately 24 months to sublease its vacated facilities in Fremont, California.

The Company wrote-off all leasehold improvements relating to the vacated buildings of approximately \$935,000, as these items have no future economic benefit and have been abandoned. Additionally, the Company exited selected, older etch product lines and wrote-off the related discontinued manufacturing inventory.

The continued and severe degradation in the wafer fabrication equipment market in late calendar year 2001 and its impact on the Company's near-term financial forecast necessitated another restructuring plan ("the December 2001 Plan"). On December 20, 2001, the Company publicly announced its intention to reduce its global employment by approximately 12%, and further consolidate its facilities. During the second fiscal quarter, the December 2001 Plan was approved by the appropriate level of management necessary to commit to the specific actions of the plan. The Company began implementing the announced restructuring activities and reduction of its workforce by approximately 470 employees, worldwide prior to December 30, 2001. The Company recorded a restructuring charge of \$33.8 million relating to severance and benefits for involuntarily terminated

employees, charges for remaining lease payments on vacated facilities and the write-off of related leasehold improvements and fixed assets.

Below is a table summarizing activity relating to the December 2001 Plan:

	Severance and Benefits	Lease Payments on Vacated Facilities	Abandoned Fixed Assets	Total
(in thousands)				
December 2001 provision.....	\$ 14,208	\$ 9,637	\$ 9,928	\$ 33,773
Cash payments.....	(9,122)	(386)	--	(9,508)
Non-cash charges.....	(1,529)	(127)	(9,928)	(11,584)
Balance at June 30, 2002.....	3,557	9,124	--	12,681
Cash payments.....	(640)	(615)	--	(1,255)
Non-cash charges.....	--	--	--	--
Balance at September 29, 2002.....	\$ 2,917	\$ 8,509	\$ --	\$ 11,426

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to December 30, 2001, management, with the proper level of authority, approved and committed to the plan of termination, determined the benefits the terminated employees would receive and communicated the severance package to employees in enough detail that they could determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$2.9 million, as of September 29, 2002, is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to 24 months of rent (or the remainder of the lease term, if less) after the abandonment of certain facilities currently under long-term operating lease agreements. The Company estimated, given prevailing real estate market conditions, that it would take approximately 24 months to sublease the vacated facilities in Fremont, California.

The Company wrote off leasehold improvements relating to the vacated buildings of approximately \$8.8 million, as these items will have no future economic benefit and have been abandoned. Additionally, certain fixed assets of approximately \$1.1 million associated with these facilities had no future economic benefit and have been abandoned and written-off.

NOTE K -- REDEMPTION OF CONVERTIBLE SUBORDINATED NOTES

The Company's 5% Convertible Subordinated Notes (5% Notes) matured on September 2, 2002 and were repaid in full. This resulted in a cash outlay of approximately \$309.8 million.

NOTE L - EQUITY DERIVATIVE CONTRACTS IN LAM STOCK

The Company's equity derivatives acquired in June 1999, included certain put and call options indexed to its own stock. Application of EITF 00-19, "Determination of Whether Share Settlement is Within the Control of the Issuer", for the purposes of applying EITF Issue No. 96-13, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", required these previously purchased instruments to be recorded at their fair value at the end of each reporting period, commencing in June 2001, and the change in fair value be recorded as a gain or loss in the Company's statement of operations. The Company's equity derivatives were collateralized by restricted cash of \$9.1 million and could not be settled in unregistered shares. They were classified as Other Short Term Assets (\$24.8 million), at the end of fiscal 2002.

On August 23, 2002, the Company settled its equity derivative contracts by purchasing approximately 3.5 million shares of Lam common stock at an average price of \$11.19 per share for a total cash payment of \$39.1 million. By settling the equity derivative contracts, the Company was able to repurchase the shares at a discount of \$8.4 million (\$2.41 per share) from their then market value. As a result of this transaction, the Company recognized an increase in treasury stock of \$47.6 million.

Based on the \$13.60 market price of the Company's common stock at the contract settlement date, the fair value of the equity derivative contracts declined by \$16.4 million to \$8.4 million, from their June 30, 2002 fair value of \$24.8 million. This \$16.4 million reduction in the equity derivatives contracts' fair value was recorded as a non-taxable loss in Other Expense, net, in the September 29, 2002 Condensed Consolidated Statement of Operations.

NOTE M -- LITIGATION

See Part II, item 1 for discussion of litigation.

ITEM 2. Management's Discussion and Analysis of Financial Condition and

Results of Operations

Forward Looking Statements

With the exception of historical facts, the statements contained in this discussion are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are subject to

the Safe Harbor provisions created by these statutes. Such forward-looking statements include, but are not limited to, statements that relate to our future revenue and income, product development, demand, acceptance and market share, competitiveness, gross margins, levels of research and development, outsourcing plans and operating expenses, our management's plans and objectives for our current and future operations, and the sufficiency of financial resources to support future operations and capital expenditures. Such statements are based on current expectations and are subject to risks, uncertainties, and changes in condition, significance, value and effect, including those discussed below under the heading Risk Factors, and other documents we may file from time to time with the Securities and Exchange Commission, specifically our last filed Annual Report on Form 10-K for the fiscal year ended June 30, 2002. Such risks, uncertainties and changes in condition, significance, value and effect could cause our actual results to differ materially from those expressed herein and in ways not readily foreseeable. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based on information currently and reasonably known. We undertake no obligation to release any revisions to these forward-looking statements, which may be made to reflect events or circumstances, which occur after the date hereof.

Documents To Review In Connection With Management's Analysis Of Financial Condition and Results Of Operations

This discussion should be read in conjunction with the Condensed Consolidated Financial Statements and Notes presented in this Form 10-Q and the financial statements and notes in our last filed Annual Report on Form 10-K for a full understanding of our financial position and results of operations for the three month period ended September 29, 2002.

RESULTS OF OPERATIONS

Lam Research Corporation is a leading supplier of technically complex thin film selective removal equipment used during the wafer fabrication process of semiconductor manufacturing. The Company's product offerings include single wafer plasma etch systems with a wide range of applications, Chemical Mechanical Planarization ("CMP") and post-CMP wafer cleaning systems. Demand for our equipment can fluctuate significantly from period to period as a result of various factors, including but not limited to, economic conditions, supply and demand for semiconductors, customer capacity requirements, and our ability to develop and market competitive, new products. For these and other reasons, our results of operations for the three months ended September 29, 2002 may not necessarily be indicative of future operating results.

Total Revenue

Our total revenues for the three-month period ended September 29, 2002 were \$197.5 million, a decrease of 41.8%, compared to the corresponding period in the prior year. The decrease in revenues compared to the corresponding period a year ago results from reduced capital equipment expenditures by our customers due to manufacturing overcapacity in the semiconductor industry that became apparent in the March quarter of 2001. Our total revenues were \$180.3 for the three-month period ended June 30, 2002. The sequential increase in revenues reflects a short-lived increase in demand for wafer fabrication equipment in the first half of calendar year 2002.

The geographic breakdown of revenue for the September quarter was as follows:

	Three Months Ended	
	September 29, 2002	September 23, 2001
North America.....	23%	27%
Europe.....	18%	25%
Asia Pacific.....	48%	38%
Japan.....	11%	10%

Our current estimate is for slightly lower revenues in the December 2002 quarter due to weak outlook in semiconductor and electronic goods sales for the second half of calendar year 2002.

Gross Margin

Our gross margin as a percentage of revenue increased to 40% for the three months ended September 29, 2002, compared to 34.8% for the corresponding period one year ago, which included a \$7.6 million restructuring charge. Excluding the restructuring charge, the increase in gross margin compared to the September 2001 period of 37.0% is due primarily to improved capacity utilization of manufacturing and field service resources and from the impact of cost reduction programs implemented during fiscal 2002. Exclusive of a restructuring reserve recovery, gross margin for the three-months ended June 2002 was 35.9% of total revenue. The sequential increase in gross margin as a percent of revenue stems from improved manufacturing utilization and a more favorable product mix.

Our current outlook is for gross margin as a percent of revenue to remain relatively flat in the subsequent quarter.

Research and Development

Research and Development ("R&D") expenses for the three months ended September 29, 2002, were \$41.4 million, 12.4% lower than the comparable year-ago period. R&D expenses as a percentage of revenue for the three months ended September 29, 2002,

were 21.0%, compared to 13.9% for the corresponding period a year ago. The increase in R&D expenses as a percentage of total revenue for the three months ended September 29, 2002, is due to lower sales volume.

We expect our investment in R&D spending to be approximately flat in the next quarter.

Selling, General and Administrative

Selling, General and Administrative ("SG&A") expenses for the three months ended September 29, 2002 were \$33.4 million, 29.3% lower than SG&A expenses in the corresponding fiscal 2002 period. As a percentage of revenue SG&A expenses for the three months ended September 29, 2002, were 16.9% of total revenue, compared to 13.9% of total revenue for the comparable period in fiscal 2002. The increase as a percentage of revenue for the three months ended September 29, 2002, as compared to the corresponding period a year ago, reflects the decrease in our revenues due to the contraction of the semiconductor equipment market. The decrease in SG&A in absolute dollars is primarily due to personnel reductions and other cost containment measures implemented during fiscal 2002.

We expect SG&A as a percentage of revenues to increase modestly in the subsequent quarter due to anticipated lower sales volumes.

Restructuring Activities

We have developed restructuring plans in response to changes in business outlook with the intent to align our cost structure with anticipated revenue levels. Expenses have been incurred associated with cost reduction activities including downsizing and reorganizations and business exit activities related to discontinued product lines. Accounting for restructuring activities requires an evaluation of formally agreed upon and approved plans. Although management makes every attempt to consolidate all known restructuring activities into one plan, the nature of our extreme cycles and rapidly changing forecasting environment places practical limitations on achieving this objective. The recognition of a restructuring event does not necessarily exclude similar but unrelated actions in future periods.

In April 2001, we announced plans to reduce our global workforce up to 15% during the fourth quarter of fiscal 2001 ("the June 2001 Plan"). The reduction in force was driven by the then anticipated level of decline in our revenues due to the forecasted contraction of our served market from calendar year 2000 levels. During the fourth quarter of fiscal 2001, the June 2001 Plan was approved by the appropriate level of management necessary to commit to the specific actions of the plan. We began implementing the announced restructuring plan and reduced our workforce by approximately 11% prior to June 24, 2001. We recorded a restructuring charge of \$16.8 million which included severance and benefits for involuntarily terminated employees, charges for remaining lease payments and leasehold improvements on vacated facilities, and charges for inventories of an etch product line that has been discontinued. In addition, we consolidated our Fremont manufacturing facilities and wrote-off the carrying cost of abandoned facility assets. During the fourth quarter of fiscal 2002, we determined that outplacement services guaranteed by us for terminated employees and other employee benefit costs were not going to be fully utilized and therefore recovered \$1.4 million of restructuring charges recorded in the fourth quarter of fiscal 2001. We also recovered \$0.9 million from certain of our etch product line inventory, previously segregated and written-off.

Below is a table summarizing activity relating to the June 2001 Plan:

	Severance and Benefits	Lease Payments on Vacated Facilities	Abandoned Fixed Assets	Discontinued Inventory	Other Exit Costs	Total
(in thousands)						
June 2001 provision.....	\$ 8,282	\$ 1,312	\$ 3,036	\$ 3,732	\$ 407	\$ 16,769
Cash payments.....	(4,067)	--	--	--	--	(4,067)
Non-cash charges.....	--	--	(3,036)	(3,732)	(10)	(6,778)
Balance at June 24, 2001.....	4,215	1,312	--	--	397	5,924
Recovery of assets.....	--	--	--	889	--	889
Cash payments.....	(1,507)	(706)	--	--	(27)	(2,240)
Non-cash charges.....	(819)	--	--	--	(322)	(1,141)
Reversal of restructuring charges..	(1,359)	--	--	(889)	--	(2,248)
Balance at June 30, 2002.....	530	606	--	--	48	1,184
Cash payments.....	(12)	(207)	--	--	--	(219)
Non-cash charges.....	(13)	--	--	--	--	(13)
Balance at September 29, 2002.....	\$ 505	\$ 399	\$ --	\$ --	\$ 48	\$ 952

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to the date of the financial statements, management, with the proper level of authority, approved and committed to the plan of termination and determined the benefits the employees being terminated would receive and communicated the severance package to employees in enough detail that they could determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$0.5 million as of September 29, 2002 is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to the remainder of the lease term after the abandonment of certain facilities currently under long-term operating lease agreements. We estimated, given the prevailing real estate market conditions, that it would take approximately 24 months to sub-lease our vacated buildings in Fremont, California. When applicable, anticipated future sublease income relating to vacated buildings has been offset against the charge for the remaining lease payments.

We wrote-off all leasehold improvements relating to the vacated buildings of approximately \$1.5 million, as these items will have no future economic benefit and have been abandoned. In addition, certain demonstration equipment and etch product line inventory were abandoned and written-off.

Other exit costs relate to customer accommodations for the discontinued product line and expenses associated with capital improvements to the vacated facilities.

Our business outlook in mid to late summer of 2001, indicated further deterioration in semiconductor sales from the fourth quarter of fiscal 2001, resulting in a lower outlook for the wafer fabrication equipment market and therefore in our revenues. Consequently, in August 2001, we announced a new plan ("the September 2001 Plan") to further reduce our fixed cost infrastructure, including an approximate 10% reduction-in-force. During the first quarter of fiscal 2002, the September 2001 Plan was approved by the appropriate level of management necessary to commit to the specific actions of the plan. We began implementing the announced restructuring activities and reduced our workforce by approximately 550 employees, worldwide prior to September 23, 2001. We recorded a restructuring charge of \$21.0 million which included severance and benefits for involuntarily terminated employees, write-offs for remaining lease payments and leasehold improvements on vacated facilities, and charges for inventories of selected, older etch product lines that were discontinued. During the fourth quarter of fiscal 2002, we determined that outplacement services guaranteed by us for terminated employees and other employee benefit costs were not going to be fully utilized and therefore recovered \$0.7 million of restructuring charges recorded in the first quarter of fiscal 2002. We also recovered \$0.8 million from certain of our older etch inventories, previously segregated and written-off and \$0.3 million from facilities leases.

Below is a table summarizing activity relating to the September 2001 Plan:

	Severance and Benefits	Lease Payments on Vacated Facilities	Abandoned Fixed Assets	Discontinued Inventory	Total
(in thousands)					
September 2001 provision.....	\$ 10,767	\$ 1,746	\$ 935	\$ 7,600	\$ 21,048
Recovery of assets.....	--	--	--	785	785
Cash payments.....	(8,135)	(762)	--	--	(8,897)
Non-cash charges.....	(1,035)	--	(935)	(7,600)	(9,570)
Reversal of restructuring charges..	(695)	(317)	--	(785)	(1,797)
Balance at June 30, 2002.....	902	667	--	--	1,569
Cash payments.....	(77)	(124)	--	--	(201)
Non-cash charges.....	(8)	--	--	--	(8)
Balance at September 29, 2002.....	\$ 817	\$ 543	\$ --	\$ --	\$ 1,360

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to September 23, 2001, management, with the proper level of authority, approved and committed to the plan of termination, determined the benefits the terminated employees would receive and communicated the severance package to employees in enough detail that they could determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$0.8 million as of September 29, 2002 is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to 24 months of rent (or the remainder of the lease term, if less) after the abandonment of certain facilities currently under long-term operating lease agreements. We estimated, given prevailing real estate market conditions, that it would take approximately 24 months to sublease the vacated facilities in Fremont, California.

We wrote-off leasehold improvements relating to the vacated buildings of approximately \$0.9 million, as these items will have no future economic benefit and have been abandoned. Additionally, we exited selected, older etch product lines and wrote-off the related discontinued manufacturing inventory.

The continued and severe degradation in the wafer fabrication equipment market in late calendar year 2001 and its impact on our near-term financial forecast necessitated another restructuring plan ("the December 2001 Plan"). In December 2001, we publicly announced our intention to reduce global employment by approximately 12% and further consolidate our facilities. During the second fiscal quarter, the December 2001 Plan was approved by the appropriate level of management necessary to commit to the specific actions of the plan. We began implementing the announced restructuring activities and reduction of our workforce by approximately 470 employees, worldwide, prior to December 30, 2001. We recorded a restructuring charge of \$33.8 million relating to severance and benefits for involuntarily terminated employees, charges for remaining lease payments on vacated facilities and the write-off of related leasehold improvements and fixed assets.

Below is a table summarizing activity relating to the December 2001 Plan:

Severance and	Lease Payments on Vacated	Abandoned Fixed
------------------	---------------------------------	--------------------

	Benefits	Facilities	Assets	Total
	(in thousands)			
December 2001 provision.....	\$ 14,208	\$ 9,637	\$ 9,928	\$ 33,773
Cash payments.....	(9,122)	(386)	--	(9,508)
Non-cash charges.....	(1,529)	(127)	(9,928)	(11,584)
Balance at June 30, 2002.....	3,557	9,124	--	12,681
Cash payments.....	(640)	(615)	--	(1,255)
Non-cash charges.....	--	--	--	--
Balance at September 29, 2002.....	\$ 2,917	\$ 8,509	\$ --	\$ 11,426

Severance and Benefits relates to the salary and fringe benefit expense for involuntarily terminated employees. Prior to December 30, 2001, management, with the proper level of authority, approved and committed to the plan of termination, determined the benefits the terminated employees would receive and communicated the severance package to employees in enough detail that they could determine their type and amount of benefit. The termination of the impacted employees occurred as soon as practical after the plan of restructuring was announced. The majority of the Severance and Benefits reserve balance of \$2.9 million as of September 29, 2002 is anticipated to be utilized by December 2002.

Lease Payments on Vacated Facilities relates to 24 months of rent (or the remainder of the lease term, if less) after the abandonment of certain facilities currently under long-term operating lease agreements. We estimated, given prevailing real estate market conditions, that it would take approximately 24 months to sublease the vacated facilities in Fremont, California.

We wrote off leasehold improvements relating to the vacated buildings of approximately \$8.8 million, as these items will have no future economic benefit and have been abandoned. Additionally, certain fixed assets of approximately \$1.1 million associated with these facilities had no future economic benefit and have been abandoned and written-off.

As summarized above, restructuring activities have had a significant impact on our operating results. As discussed under "Recent Accounting Pronouncements" below, the Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" (FAS 146). Had FAS 146 been applicable when we undertook our restructuring activities, the timing and amount of the charges recognized may have been different than those reported. FAS 146 is applicable to restructuring activities initiated on or after December 31, 2002 with early adoption encouraged. FAS 146 does not apply to our mentioned restructuring activities.

Tax Expenses

Income tax expense for the quarter ended September 29, 2002, was recorded using a 25% estimated effective tax rate as compared to 10% for the quarter ended September 2001. The gain or loss from the change in fair value of our equity derivatives indexed to our stock is non-taxable. Our fiscal 2003 tax rate estimate is based on our current profitability outlook offset by our continued and substantial investments in research and development programs qualifying for R&D tax benefits. The tax rate for the September 2001 quarter was based on our then estimated fiscal 2002 profitability, offset by research and development programs qualifying for R&D tax benefits.

Redemption of Convertible Subordinated Notes

Our 5% Convertible Subordinated Notes (5% Notes) matured on September 2, 2002 and were repaid in full. This resulted in a cash outlay of approximately \$309.8 million.

Equity Derivative Contracts In Lam Stock

Our equity derivatives acquired in June 1999, included certain put and call options indexed to our own stock. Application of EITF 00-19, "Determination of Whether Share Settlement is Within the Control of the Issuer", for the purposes of applying EITF Issue No. 96-13, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", required these previously purchased instruments to be recorded at their fair value at the end of each reporting period, commencing in June 2001, and the change in fair value be recorded as a gain or loss in our statement of operations. Our equity derivatives were collateralized by restricted cash of \$9.1 million and could not be settled in unregistered shares. They were classified as Other Short Term Assets (\$24.8 million), at the end of fiscal 2002.

On August 23, 2002, we settled our equity derivative contracts by purchasing approximately 3.5 million shares of Lam common stock at an average price of \$11.19 per share for a total cash payment of \$39.1 million. By settling the equity derivative contracts, we were able to repurchase the shares at a discount of \$8.4 million (\$2.41 per share) from their then market value. As a result of this transaction, we recognized an increase in treasury stock of \$47.6 million.

Based on the \$13.60 market price of our common stock at the contract settlement date, the fair value of the equity derivative contracts declined by \$16.4 million to \$8.4 million, from their June 30, 2002 fair value of \$24.8 million. This \$16.4 million reduction in the equity derivatives contracts' fair value was recorded as a non-taxable loss in Other Expense, net, in the September 29, 2002 Condensed Consolidated Statement of Operations.

Critical Accounting Policies and Estimates

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that could affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition: We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the selling price is fixed or determinable, collectibility is reasonably assured, and we have completed our system installation obligations and received customer acceptance, or are otherwise released from our installation or customer acceptance obligations. In the event terms of the sale provide for a lapsing customer acceptance period, we recognize revenue upon the expiration of the lapsing acceptance period or customer acceptance whichever occurs first. In circumstances where the practices of a customer do not provide for a written acceptance and in addition, the terms of sale do not include a lapsing acceptance provision, we will recognize revenue where it can be reliably demonstrated that the delivered system meets all of the customer specifications. Revenue related to spare parts sales, system upgrade kits and remanufactured systems is generally recognized upon shipment. Revenue related to services is generally recognized upon performance of the services requested by a customer order. Revenue for extended maintenance service contracts with a term more than one month is recognized on a straight-line basis over the term of the contract.

We changed our revenue recognition policy in the fourth quarter of fiscal 2001, effective June 26, 2000, based on guidance provided in Securities and Exchange Commission ("SEC"), Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." At September 29, 2002, the deferred revenue balance, including \$2.8 million attributable to the cumulative effect adjustment, was approximately \$133.2 million.

Derivatives: We hold derivative financial instruments to hedge a variety of risk exposures including interest rate risks associated with our long-term debt, foreign currency exchange rate fluctuations on the value of our cash flows from forecasted revenue denominated in Japanese Yen and foreign currency denominated assets. Derivatives that qualify for hedge accounting are discussed in detail in Note I of our unaudited condensed consolidated financial statements. We do not acquire speculative derivatives for trading purposes. To qualify for hedge accounting, the hedge relationship must meet criteria relating both to the derivative instrument and the hedged item. These include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows will be measured.

When derivative instruments are designated and qualify as effective hedges of identified fair value exposures, we are able to offset changes in the fair value of the identified exposures by changes in the fair value of the hedging instruments. When derivative instruments are designated and qualify as effective cash flow hedges, we are able to defer changes in the fair value of the hedging instrument within accumulated other comprehensive income (loss) until the hedged exposure is realized. Consequently, with the exception of immaterial hedge ineffectiveness recognized, our results of operations are not subject to fluctuation as a result of changes in the fair value of the derivative instruments. If hedges are not highly effective or if we did not believe that forecasted transactions would occur, we may not be able to account for our investments in derivative instruments as hedges. If this were to occur in a future period, changes in the fair values of our derivative instruments would be recognized in operations without the benefits of offsets or deferrals of changes in fair value arising from hedge accounting treatment.

To hedge foreign currency risks, we use foreign currency exchange forward contracts. These forward contracts are valued using standard valuation formulas with assumptions about future foreign currency exchange rates derived from existing exchange rates and interest rates observed in the market. To hedge interest rate risk, an interest rate swap is used in connection with our 4% Notes in which we pay a variable rate and receive a fixed rate. This instrument is valued using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments arising under the swap. The variable cash payments are based on an expectation of future interest rates derived from observed market interest rate curves. We have not changed our methods of calculating fair values or developing the underlying assumptions. The values of these derivatives will change over time as cash receipts and payments are made and as market conditions change. In future periods, if changes in the fair value of the swap are no longer effective at hedging changes in the fair value of our fixed rate 4% Notes, the interest rate swap may no longer qualify for hedge accounting treatment. Information about the fair values, notional amounts, and contractual terms of these instruments can be found in Note E to our audited consolidated financial statements and the section titled "Quantitative and Qualitative Disclosures About Market Risk" included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2002, and herein in Note I to the unaudited condensed consolidated financial statements for the three months ended September 29, 2002.

We consider our most current outlook in determining the level of foreign currency denominated intercompany revenues to hedge. We combine these forecasts with historical trends to establish the portion of our expected volume to be hedged. The revenues are hedged for exposures to fluctuations in foreign currency exchange rates. Should the level of revenues expected not occur, our investments in derivatives used to hedge changes in foreign currency exchange rates may not qualify for hedge accounting.

We do not believe we are exposed to more than a nominal amount of credit risk in our interest rate and foreign currency hedges, as counterparties are established and well-capitalized financial institutions. Our exposures are in liquid currencies (Japanese Yen), so there is minimal risk that appropriate derivatives to maintain our hedging program would not be available in the future.

Inventory Valuation: Inventories are stated at the lower of cost (first-in, first-out method) or market using standard costs, which approximate actual cost. We maintain a perpetual inventory system and continuously record the quantity on-hand and standard cost for each product, including purchased components, subassemblies and finished goods. We maintain the integrity of perpetual inventory records through periodic physical counts of quantities on hand. Finished goods are reported as inventories until the point

of title transfer to the customer. Generally, title transfer is documented in the terms of sale. When the terms of sale do not specify when title transfers, we assume title transfers when we complete physical delivery of the products.

Standard costs are generally re-assessed at least annually and reflect achievable acquisition costs, generally the most recent vendor contract prices for purchased parts and currently obtainable assembly and test labor and overhead for manufactured products. Manufacturing labor and overhead costs are attributed to individual product standard costs at a level planned to fully absorb spending at average utilization volumes. All intercompany profits related to the sale and purchase of inventory between our legal entities is eliminated from our consolidated financial statements.

Assembly outsourcing initiatives implemented in fiscal 2002 have altered and will continue to alter the composition of reported cost of sales. Over time, proportionately more costs will comprise purchased materials and less will represent manufacturing labor and overhead, reflecting the substitution of our assembly activities with the purchase of completed modules and integrated units from new outsource assembly vendors.

Management evaluates the need to record adjustments for impairment of inventory at least quarterly. Our policy is to assess the valuation of all inventories, including manufacturing raw materials, work-in-process, finished goods and spare parts in each reporting period. Obsolete inventory or inventory in excess of management's estimated usage requirements over the next 12 to 36 months' based on estimated customer product orders is written-down to its estimated market value, if less than cost. Inherent in the estimates of market value are management's forecasts related to our future manufacturing schedules, customer demand, technological and or market obsolescence, general semiconductor market conditions, possible alternative uses and ultimate realization of excess inventory. If future customer demand or market conditions are less favorable than our projections, additional inventory write-downs may be required, and would be reflected in cost of sales in the period the revision is made.

Installation and Warranty: Typically, part of marketing and selling semiconductor capital equipment includes installing and providing parts and service warranty to customers as part of the overall price of the system. We generally record actual labor and material expenses for installation activities to cost of sales upon equipment acceptance and revenue recognition. We also provide a contractual performance warranty on our systems, the period of which runs concurrent with the system installation process, generally 12 months from system acceptance, not to exceed 14 months from the date of shipment of the system to the customer. We record a provision for estimated warranty expenses to cost of sales for each system upon revenue recognition. The amount recorded is based on actual historical warranty spending activity by type of system, customer, and geographic region, modified for any known differences such as a new, simpler installation process or the impact of system reliability improvements. Where customer and system specific installation and warranty reserves are established, all actual parts and labor costs incurred in subsequent periods are charged to those established reserves through the application of detailed project record keeping.

Actual warranty expenses incurred on a system-by system basis, and overall, may differ from our original estimates. While we consistently monitor the performance and cost of warranty activities, if actual costs incurred are different than our estimates, we may recognize adjustments to provisions in the period in which those differences arise or are identified. Accordingly, actual costs that exceed the estimates are expensed as incurred and at the same time, additional probable and estimable liabilities recorded.

We do not maintain general or unspecified provisions or reserves; all warranty reserves are related to specific systems. Historically, including the most recent 3 months ended September 29, 2002, all warranty obligations have been determined with reasonable estimates.

In addition to the provision of standard warranties, the company provides customer paid extended warranty services. Revenues for extended maintenance and warranty services, with a term of more than one month, are recognized on a prorated straight-line basis over the term of the contract. Related costs are recorded either as incurred or when related liabilities are determined to be probable and estimable.

At September 29, 2002, warranty reserves were \$16.2 million, compared to \$15.5 million at June 30, 2002.

Employee Stock Purchase Plan and Employee Stock Option Plans: We account for our stock purchase plan and stock option plans under the provisions of Accounting Principles Board Opinion No. 25 "Accounting For Stock Issued to Employees" ("APB 25") and make pro forma footnote disclosures as though the fair value method under Statement of Financial Accounting Standard No. 123, "Accounting For Stock-Based Compensation" ("FAS 123"), were followed. Our employee stock purchase plan is a non-compensatory plan and our stock option plans are accounted for using the intrinsic value method under the provisions of APB 25.

Pro forma net income (loss) and net income (loss) per share disclosed in the footnotes to our annual consolidated financial statements are estimated using a Black-Scholes option valuation model. The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and which are fully transferable. In addition, the Black-Scholes model requires the input of highly subjective assumptions, including expected stock price volatility and the estimated life of each option. Because the Company's stock-based awards to employees have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not provide a reliable measure of the fair value of the Company's stock-based awards to employees.

Deferred Income Taxes: We record a valuation allowance to reduce our deferred taxes to the amount that is more likely than not to be realized. We have considered future estimated taxable income and feasible tax planning strategies in determining the need for a valuation allowance. In the event that we determine that we would not be able to realize all or part of our net deferred tax assets, an adjustment to the deferred tax assets would be charged to earnings in the period such determination is made. Likewise, if we later

determine that it is more likely than not that the deferred tax assets would be realized, then the previously provided valuation allowance would be reversed. Our current valuation allowance covers the tax benefit from the exercise of employee stock options and foreign tax credits. When the stock option tax benefits are realized, the valuation allowance will be reversed and credited to capital in excess of par value. When the foreign tax credits are realized, the valuation allowance will be reversed through the income statement.

Recent Accounting Pronouncements

Costs associated with Exit or Disposal Activities: In July 2002, the FASB issued Statement of Financial Accounting Standards No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" (FAS 146). FAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" (EITF 94-3). The principal difference between FAS 146 and EITF 94-3 relates to FAS 146's requirements for the timing of recognizing a liability for a cost associated with an exit or disposal activity. FAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3 a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. FAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002, with early adoption encouraged. FAS 146 is applied prospectively upon adoption and is not anticipated to have a material impact on our current financial position or results of operations.

Consolidation of Certain Special-Purpose Entities: In June 2002, the FASB issued an Exposure Draft of a proposed Interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements "Consolidation of Certain Special-Purpose Entities"(the proposed Interpretation or Exposure Draft) that establishes accounting guidance for consolidation of special-purpose entities ("SPE"). The proposed Interpretation will apply to any business enterprise, both public and private, that has a controlling interest, contractual relationship or other business relationship with an SPE. The Exposure Draft provides guidance for determining when an entity, the Primary Beneficiary, should consolidate another entity, a special purpose entity (SPE), that functions to support the activities of the Primary Beneficiary. The proposed Interpretation may result in our having to consolidate the operating results of a SPE or similar entity, which is a lessor under some of our operating lease agreements. The FASB expects to issue the Interpretation in the fourth quarter of calendar year 2002. The effective date of these proposed new rules on our current operating leases could be as early as the beginning of our fiscal quarter ending June 2003, and sooner on any new leases entered into after the new rules' effective date which utilize special purpose entities or equivalent lease structures. Implementation of this Exposure Draft, when and if it becomes a final accounting rule, could require us to consolidate the activities of the SPE and recognize the asset and related liability.

Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others: In May 2002, the FASB issued an Exposure Draft of a proposed Interpretation that would require a company that is a guarantor to make specific disclosures about its obligations under certain guarantees that it has issued. The proposed Interpretation would also require a company ("the guarantor") to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee. The proposed Interpretation does not provide guidance on the subsequent measurement of the guarantor's recognized liability over the term of the related guarantee. The proposed Interpretation would also incorporate, without change, the guidance in FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others " which is being superseded. Implementation of this Exposure Draft, when and if it becomes a final accounting rule would be effective for financial statements for periods ending after December 15, 2002 and would be applied only on a prospective basis to guarantees issued after December 31, 2002. The proposed Interpretation is not anticipated to have a material impact on our current financial position or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Cash, Short-term Investments, and Restricted Cash totaled \$602.4 million as of September 29, 2002 compared with \$945.2 million at June 30, 2002. During the quarter ended September 29, 2002, we repaid our 5% Notes, principal amount of \$309.8 million, and purchased Lam common stock for \$39.1 million in connection with the settlement of our equity derivative contracts.

Net cash provided from operations for the three months ended September 29, 2002, was \$1.5 million. A net loss of \$13.7 million adjusted for non-cash charges of \$22.7 million, resulted in positive cash flow of \$9.0 million, which was partially offset by uses of working capital totaling \$7.5 million. Non-cash charges included items such as depreciation and amortization, deferred income taxes, and the adjustment for the loss on equity derivative contracts indexed to our stock. Significant changes in working capital include inventory reductions of primarily \$19.6 million offset by decreases of \$23.9 million in accounts payables and other accrued liabilities.

Net cash provided by investing activities for the three months ended September 29, 2002, was \$336.3 million. We sold \$330.2 million, net, of short-term investments that were primarily used to repay our 5% Notes. Net capital expenditures used \$3.5 million and our restricted cash decreased \$9.1 million primarily due to the settlement of our equity derivative contracts.

Net cash used by financing activities for the three months ended September 29, 2002, was \$341.5 million and consisted primarily of the repayment of our 5% Notes in the amount of \$309.8 million. In connection with the settlement of our equity derivative contract, we purchased Lam common stock for \$39.1 million. We also reissued \$4.8 million from treasury stock through our employee stock purchase programs. Net proceeds from the issuance of our common stock from stock option exercises totaled \$2.8 million.

We have an agreement to sell specific U.S. Dollar-denominated receivables, subject to recourse provisions to two financial institutions. During the three months ended September 29, 2002, we sold \$21.8 million of these receivables. At September 29, 2002, \$21.8 million of these receivables remained uncollected, of which \$2.1 million were subject to recourse provisions.

We have a similar agreement with a bank to sell specific Japanese Yen-denominated receivables, subject to recourse provisions. During the three month period ended September 29, 2002, no Yen-denominated receivables were sold and none of the receivables sold to the bank in prior periods remained uncollected.

Our contractual cash obligations and commitments relating to our debt obligations, lease payments and outsourcing activities are as follow:

	Debt and Other Long-Term Liabilities	Operating Leases	Outsourcing and Consignment Contracts
Fiscal year, (1)	(in thousands)		
Through June 29, 2003	\$ 4,161	\$ 58,450	\$ 26,669
2004 through 2006	372,033	87,174	15,569
2007 through 2008	-	6,165	1,762
Thereafter.....	-	1,656	-
Total	\$ 376,194	\$ 153,445	\$ 44,000

(1). The Company's fiscal year end falls on the last Sunday of June each year.

Debt financing includes our 4% Notes and a Yen-denominated term loan.

Details of the 4% notes are:

Description	4% Convertible Subordinated Notes, "4% Notes"
Offering Date	May 2001
Offering Amount	\$300.0 million
Maturity Date	June 1, 2006
Offering Expenses	\$8.5 million incurred at the time of offering, ratably amortized to other expense over the term of the 4% Notes. Remaining unamortized balance of \$6.2 million and \$6.7 million at September 29, 2002 and June 30, 2002, respectively.
Interest Rate terms	4% payable on June 1 and December 1 of each year, commencing December 1, 2001
Conversion Rights	Convertible into Lam Common Stock at any time prior to close of business on the maturity date, unless previously redeemed, at a conversion price of \$44.93 per share subject to anti-dilution adjustments
Redemption terms	Redeemable at Lam option, beginning June 5, 2004 with at least 20 days and no more than 60 days notice, at redemption prices starting at 101.0% and at diminishing prices thereafter, plus accrued interest
Security	4% Notes are unsecured and subordinated in right of payment in full to all existing and future senior indebtedness of the company

During the fourth quarter of fiscal 2001, we entered into a three-year Yen-denominated term loan for approximately ¥6.0 billion (\$49.4 million at September 29, 2002) with a syndicate of financial institutions, in order to fund our Japanese subsidiary operations. The entire principal amount under the new term loan is due at maturity, June 11, 2004, and has a floating interest rate based on the Tokyo Interbank Offered Rate ("TIBOR"), which at September 29, 2002, was 2.6% per annum.

During the third quarter of fiscal 2002, we entered into an interest rate swap agreement with a notional amount of \$300 million in order to hedge changes in the fair value of the Company's 4% Notes, attributable to changes in the benchmark interest rate. The

transaction exchanged 4% fixed interest payments for variable interest payments based on the LIBOR based interest rate, resulting in interest expense savings of approximately \$2.5 million for the three months ended September 29, 2002. Should 6-month LIBOR interest rates rise above approximately 5% per annum in future periods, incremental interest expense to the Company may be incurred. Under the terms of the transaction, we must provide collateral to match any mark-to-market exposure on the swap. The amount of collateral required totals a minimum of \$6.0 million plus an amount equal to the mark-to-market exposure on the swap. Therefore, the amount of cash collateral we will have to post in the future will fluctuate from quarter to quarter commensurate with the mark-to-market exposure on the swap instrument. Generally the required collateral will rise as interest rates rise. At the end of the quarter ended September 2002, we have \$10.5 million in restricted cash on our balance sheet (classified as a long-term asset) related to this transaction.

During the second quarter of fiscal 2002 we signed a final settlement agreement with Varian Semiconductor Equipment Associates, Inc. ("Varian") in connection with the patent infringement litigation filed by Varian in October 1993. Under the terms of the settlement agreement, Varian granted us a nonexclusive license to the patents involved in the litigation. We agreed to pay Varian \$20.0 million in cash (\$5.0 million in December 2001 and the balance of \$15.0 million to be paid quarterly over the next 3 years). The contractual cash obligations and commitments table presented above contains our cash obligations related to the Varian settlement.

We lease most of our administrative, R&D and manufacturing facilities, regional sales/service offices and certain equipment under non-cancelable operating leases, which expire at various dates through 2021. All of our facility leases for buildings located at our Fremont, California headquarters and certain operating leases provide us with an option to extend the leases for additional periods. Certain of our other facility leases provide for periodic rent increases based on the general rate of inflation.

Lease agreements relating to certain buildings at our Fremont, California campus, require us to provide guaranteed residual values totaling \$97.1 million at the end of the respective lease terms which are reflected in the preceding table (\$44.4 million in 2003, \$25.2 million in 2005 and \$27.5 million in 2006). The lessor associated with one of these lease agreements is a SPE or equivalent structure. Presently, we account for this lease as an operating lease while the SPE owns and accounts for the leased assets and related liabilities. The FASB has issued an Exposure Draft "Consolidation of Certain Special Purpose Entities", a proposed Interpretation of Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements" that establishes accounting guidance for consolidation of SPEs. Implementation of this Exposure Draft, when and if it becomes a final accounting rule, could require us to consolidate the activities of the SPE and recognize the asset and related liability.

Additionally, one of our lease agreements includes collateral restrictions that require us to maintain a certain amount of cash, \$51.4 million at September 29, 2002, in restricted specified interest bearing accounts. These restricted cash accounts must be maintained through March 2003 (unless the agreement is otherwise terminated or the amount of required cash collateral is reduced), as the underlying obligation is paid down by the lessor.

During the quarter ended September 29, 2002, we entered into agreements to outsource certain elements of our transactional accounting functions. Additionally, during the second half of fiscal 2002, we entered into agreements with third parties to outsource certain elements of our manufacturing, warehousing, logistics, facilities maintenance and information technology functions. These outsourced services should provide us with more flexibility to scale our operations in a more timely manner to respond to the cyclical nature of our business. The contractual cash obligations and commitments table presented above contains our minimum outsourcing obligations at September 29, 2002 under these arrangements. Actual expenditures will vary based on the volume of transactions and length of contractual service provided. In addition to minimum spending commitments, these agreements provide for potential cancellation charges including the assumption of leases, assets and employees.

Consignment inventories, which are owned by vendors but located in our storage locations and warehouses, are not reported as inventory until title is transferred or our purchase obligation is determined. At September 29, 2002, vendor owned inventories held at Lam and not reported as inventory were approximately \$11.2 million.

Given the cyclical nature of the semiconductor equipment industry, we believe that maintenance of sufficient liquidity reserves is important to ensure our ability to sustain levels of investment in R&D and capital infrastructure through ensuing business cycles. Based upon our current business outlook, our levels of cash, cash equivalents, and short-term investments at September 29, 2002, combined with cash conservation activities, are expected to be sufficient to support our presently anticipated levels of operations, investments, and capital expenditures, through at least the end of calendar year 2003.

In the longer-term, liquidity will depend to a great extent on our future revenues, and our ability to appropriately size our business based on demand for our products.

Risk Factors

Our Quarterly Revenues and Operating Results are Unpredictable

Our revenues and operating results may fluctuate significantly from quarter to quarter due to a number of factors, not all of which are in our control. These factors include, but are not limited to:

- economic conditions in the electronics and semiconductor industry generally, and the equipment industry specifically;
- the extent that customers use our products and services in their business;
- customer acceptances of equipment;
- the size and timing of orders from customers;

- customer cancellations or delays in our shipments, installations and/or acceptances;
- our ability in a timely manner to develop, introduce and market new, enhanced and competitive products;
- our competitors' introduction of new products;
- legal or technical challenges to our products and technology;
- new or modified accounting regulations;
- changes in average selling prices and product mix;
- changes in import/export regulations;
- exchange rate fluctuations; and
- exposure on interest rate swap agreements.

We manage our expense levels based in part on our expectations of future revenues. If revenue levels in a particular quarter do not meet our expectations, our operating results may be adversely affected. We derive our revenue primarily from the shipment and acceptance of a relatively small number of high-priced systems. Our systems can range in price from approximately \$400,000 to \$4 million per unit. Because our operating expenses are based on anticipated future revenues, and a high percentage of those expenses are relatively fixed, a change in the timing of recognition of revenue and the level of gross profit from a single transaction can unfavorably affect operating results in a particular quarter.

Our operating results for a quarter may suffer substantially if:

- we ship fewer systems than we anticipate in any quarter;
- our customers delay final acceptance of our shipments;
- we do not receive anticipated purchase orders in time to enable shipment or acceptance of equipment during a given quarter;
- one or more customers delays or cancels anticipated shipments and/or installations;
- shipments are delayed by procurement shortages or manufacturing or transportation difficulties; or
- our suppliers or outsource vendors fail to perform their obligations in a manner consistent with our expectations.

Further, because most of our manufacturing and administrative operations and capacity is located at our Fremont, California facility, natural, physical, logistical or other events or disruptions affecting this facility (including labor disruptions, earthquakes and power failures) could adversely impact our financial performance.

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

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

The Semiconductor Equipment Industry is Volatile and Reduced Product Demand has a Negative Impact on Shipments

Our business depends on the capital equipment expenditures of semiconductor manufacturers, which in turn depend on the current and anticipated market demand for integrated circuits and products using integrated circuits. The semiconductor industry is cyclical in nature and historically experiences periodic downturns. During calendar year 2001 and the first half of calendar year 2002, semiconductor manufacturers canceled or delayed delivery of orders as a result of overcapacity. The resulting demand contraction had a negative impact on the level of system shipments during fiscal 2002 compared to fiscal 2001. The downturn is extending to the first quarter of fiscal 2003, as our customers remain cautious about their levels of capital expenditures.

Fluctuating levels of investment by the semiconductor manufacturers and pricing volatility are expected to continue to materially affect our aggregate shipments, revenues and operating results. We will attempt to respond to these fluctuations with cost management programs aimed at alignment of our expenditures with anticipated revenue streams, which sometimes result in restructuring charges. Even during periods of reduced revenues, we must invest in research and development and maintain extensive ongoing worldwide customer service and support capabilities to remain competitive, which may temporarily harm our financial results.

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

Rapid technological changes in semiconductor manufacturing processes subject us to increased pressure to develop technological advances enabling such processes. We believe that our future success depends in part upon our ability to develop, manufacture, and successfully introduce new products with improved capabilities and to continue to enhance our existing products. Due to the risks inherent in transitioning to new products, we strive to accurately forecast demand for new products while managing the transition from older products. If new products have reliability or quality problems our performance may be impacted by reduced orders, higher manufacturing costs, delays in acceptance of and payment for new products, and additional service and warranty expenses. We may be unable to develop and manufacture new products successfully, or new products that we introduce may fail in the marketplace, which would materially and adversely affect our results from operations.

We expect to continue to make significant investments in research and development and to pursue joint development relationships with customers or other members of the industry. We must manage product transitions and joint development relationships successfully, as introduction of new products could adversely affect our sales of existing products. Future technologies, processes or product developments may render our current product offerings obsolete, leaving us with non-competitive products, or obsolete inventory, or both. We may be unable in a timely manner to develop and introduce new products or enhancements to our existing products which satisfy customer needs or achieve market acceptance. In addition, in connection with the development of new products, we will invest in pilot production inventory. Our failure to complete commercialization of these new products in a timely manner could result in inventory obsolescence, which would adversely affect our financial results.

We are Subject to Risks Associated with the Introduction of New Products

We expect to face significant competition from multiple current and future competitors. We believe that other companies are developing systems and products that are competitive to ours and are planning to introduce new products, which may affect our ability to sell our products. Furthermore, our own introduction of new products represents significant investments of our resources and their success, or lack thereof, could have a material effect on our financial results.

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

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

- a decline in demand for our products;
- a failure to achieve continued market acceptance of our products;
- an improved version of products being offered by a competitor in the market we participate in;
- technological change that we are unable to address with our products; and
- a failure to release new enhanced versions of our products on a timely basis.

We are Dependent Upon a Limited Number of Key Suppliers

We obtain certain components and sub-assemblies included in our products from a single supplier or a limited group of suppliers. Generally, each of our key suppliers has a one-year blanket purchase contract or general purchase agreement under which we may issue purchase orders. We may renew these contracts periodically. In most cases, these component suppliers sold us products during at least the last four years, and we expect that we will continue to renew these contracts in the future or that we will otherwise replace them with competent alternative source suppliers. Several of our outsourced assembly suppliers are new providers to Lam, where practical, our intent is to establish alternative sources. Nevertheless, a prolonged inability to obtain certain components could impair our ability to ship products, lower our revenues and thus adversely affect our operating results and result in damage to our customer relationships.

Our Outsource Providers May Fail to Perform as We Expect

We are expanding the roles that outsource providers play in our business. We anticipate that these outsource providers will play key roles in our manufacturing operations and in many of our transactional and administrative functions. Although we aim at selecting reputable providers and secure their performance on terms documented in written contracts, it is possible that one or more of these providers will fail to perform as we expect and such failure could have an adverse impact on our business. In addition, the expanded role of outsource providers will require us to implement changes to our existing operations and to adopt new procedures to deal with and manage the performance of these outsource providers. Any delay or failure in the implementation of our operational changes and new procedures could adversely affect our customer relationships and/or have a negative effect on our operating results.

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

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

We May Lack the Financial Resources or Technological Capabilities of Certain of Our Competitors Needed to Capture Increased Market Share

We believe that to remain competitive we will require significant financial resources to offer a broad range of products, to maintain customer service and support centers worldwide, and to invest in product and process research and development. Certain of our competitors have substantially greater financial resources and more extensive engineering, manufacturing, marketing, and customer

service and support resources than we do and therefore have the potential to increasingly dominate the semiconductor equipment industry. In addition, there are smaller, emerging semiconductor equipment companies that may provide innovative technology that may have performance advantages over systems we currently, or expect to, offer.

We anticipate our competitors will continue to improve the design and performance of their current products and processes and to introduce new products and processes with enhanced performance characteristics. If our competitors enter into strategic relationships with leading semiconductor manufacturers covering products similar to those we sell or may develop, it could adversely affect our ability to sell products to those manufacturers. In addition, competitors with higher levels of financial resources than we have may deeply discount or give away products similar to those we sell. For these reasons, we may fail to continue to compete successfully worldwide.

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

Our Future Success Depends on International Sales

Non-U.S. sales accounted for approximately 71% of our total revenue in fiscal 2002, 70% in fiscal 2001 and 71% in fiscal 2000. We expect that international sales will continue to account for a significant portion of our total revenue in future years. International sales are subject to risks, including, but not limited to:

- foreign exchange risks;
- changing import/export requirements;
- foreign trade disputes; and
- economic, political, banking and currency problems in the relevant region.

We currently enter into foreign currency forward contracts to minimize the short-term impact of exchange rate fluctuations on Yen-denominated sales and assets, and will continue to enter into hedging transactions for the purposes outlined in the foreseeable future.

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

We are subject to a variety of governmental regulations related to the discharge or disposal of toxic, volatile or otherwise hazardous chemicals. We believe that we are in general compliance with these regulations and that we have obtained (or will obtain or are otherwise addressing) all necessary environmental permits to conduct our business. These permits generally relate to the disposal of hazardous wastes. Nevertheless, the failure to comply with present or future regulations could result in fines being imposed on us, suspension of production, cessation of our operations or reduction in our customers' acceptance of our products. These regulations could require us to alter our current operations, to acquire significant equipment or to incur substantial other expenses to comply with environmental regulations. Our failure to control the use, sale, transport or disposal of hazardous substances could subject us to future liabilities.

If We are Unable to Adjust the Scale of Our Business in Response to Rapid Changes in Demand in the Semiconductor Equipment Industry, Our Operating Results and Our Ability to Compete Successfully May Be Impaired

The business cycle in the semiconductor equipment industry is characterized by frequent periods of rapid change in demand that challenge our management to adjust spending on operating activities. During periods of rapid growth or decline in demand for our products and services, we face significant challenges in maintaining adequate financial and business controls, management processes, information systems and procedures on a timely basis and training, managing and appropriately sizing our work force. Our success will depend, to a significant extent, on the ability of our executive officers and other members of our senior management to identify and respond to these challenges effectively. If we do not adequately meet these challenges, our gross margins and earnings may be impaired during periods of demand decline and we may lack the infrastructure and resources to scale up our business to meet customer expectations and compete successfully during periods of demand growth.

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

In the future, we may make acquisitions of complementary companies, products or technologies, or we may reduce or dispose of certain product lines or technologies, which no longer fit our long-term strategies. Managing an acquired business, disposing of product technologies or reducing personnel entail numerous operational and financial risks, including difficulties in assimilating acquired operations and new personnel or separating existing business or product groups, diversion of management's attention to

other business concerns, amortization of acquired intangible assets and potential loss of key employees or customers of acquired or disposed operations among others. There can be no assurance that we will be able to achieve and manage successfully any such integration of potential acquisitions, disposition of product lines or technologies, or reduction in personnel or that our management, personnel or systems will be adequate to support continued operations. Any such inability or inadequacies could have a material adverse effect on our business, operating results, financial condition, and cash flows.

An important element of our management strategy is to review acquisition prospects that would complement our existing products, augment our market coverage and distribution ability, or enhance our technological capabilities. We may acquire additional businesses, products or technologies in the future. Any acquisitions could result in changes such as potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities, the amortization of related intangible assets and goodwill impairment charges, any of which could materially adversely affect our business, financial condition, and results of operations and/or the price of our Common Stock.

The Market for Our Common Stock is Extremely Volatile, which May Affect our Ability to Raise Capital or Make Acquisitions

The market price for our Common Stock is extremely volatile and has fluctuated significantly over the past years. The trading price of our Common Stock could continue to be highly volatile and fluctuate widely in response to factors, including but not limited to the following:

- general market, semiconductor, or semiconductor equipment industry conditions;
- global economic fluctuations;
- variations in our quarterly operating results;
- variations in our revenues or earnings from levels that securities analysts forecast;
- announcements of restructurings, technological innovations, reductions in force, departure of key employees, consolidations of operations or introduction of new products;
- government regulations;
- developments in, or claims relating to, patent or other proprietary rights;
- disruptions with key customers or suppliers; or
- political, economic or environmental events occurring globally or in any of our key sales regions.

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

Risk Associated With Our Interest Rate Swap Agreement

We aim to limit the impact of interest rate exposure associated with our interest rate sensitive investments and debt obligations. To minimize the effect of the interest rate exposure associated with our 4% Notes, we have entered into an interest rate swap agreement with a notional amount of \$300 million. We entered into the swap in order to hedge changes in the fair value of our 4% Notes, attributable to changes in the benchmark interest rate, by swapping 4% fixed interest payments for variable interest payments based on the LIBOR based interest rate.

If 6-month LIBOR based interest rates remain at current levels or decrease we expect the swap will result in interest savings. However, a rise in 6-month LIBOR based interest rates above approximately 5% per annum in future periods could result in incremental levels of interest expense.

The Potential Anti-Takeover Effects of Our Bylaws Provisions and the Rights Plan We have in Place May Affect Our Stock Price and Inhibit a Change of Control Desired by Some of Our Stockholders

In 1997, we adopted a Rights Plan (the "Rights Plan") in which rights were distributed as a dividend at the rate of one right for each share of our Common Stock, held by stockholders of record as of the close of business on January 31, 1997, and thereafter. In connection with the adoption of the Rights Plan, our Board of Directors also adopted a number of amendments to our Bylaws, including amendments requiring advance notice of stockholder nominations of directors and stockholder proposals.

Our Rights Plan may have certain anti-takeover effects. Our Rights Plan will cause substantial dilution to a person or group that attempts to acquire Lam in certain circumstances. Accordingly, the existence of the Rights Plan and the issuance of the related rights may deter certain acquirers from making takeover proposals or tender offers. The Rights Plan, however, is not intended to prevent a takeover. Rather it is designed to enhance the ability of our Board of Directors to negotiate with a potential acquirer on behalf of all of our stockholders.

In addition, our Certificate of Incorporation authorizes issuance of 5,000,000 shares of undesignated Preferred Stock. Our Board of Directors, without further stockholder approval, may issue this Preferred Stock on such terms as the Board of Directors may determine, which also could have the effect of delaying or preventing a change in control of Lam. The issuance of Preferred Stock could also adversely affect the voting power of the holders of our Common Stock, including causing the loss of voting control. Moreover, Section 203 of the Delaware General Corporation Law restricts certain business combinations with "interested stockholders", as defined by that statute.

Intellectual Property and Other Claims Against Us Can Be Costly and Could Result in the Loss of Significant Rights which are Necessary to Our Continued Business and Profitability

Third parties may assert infringement, unfair competition or other claims against us. Additionally, from time to time, other parties send us notices alleging that our products infringe their patent or other intellectual property rights. In addition, our Bylaws and indemnity agreements with certain officers, directors and key employees provide that we will indemnify officers and directors against losses that they may incur in legal proceedings resulting from their service to Lam. In such cases, it is our policy either to defend the claims or to negotiate licenses on commercially reasonable terms. However, we may be unable in the future to negotiate necessary licenses on commercially reasonable terms, or at all, and any litigation resulting from these claims by other parties may materially adversely affect our business and financial results.

In September 1999, Tegal Corporation sued us seeking monetary damages and injunctive relief based on our alleged infringement of certain patents Tegal holds. Specifically, Tegal identified our 4520XLeã and Exelanã products as infringing the patents Tegal is asserting. Litigation is inherently uncertain, and we may fail to prevail in this litigation. However, certain elements of Tegal's complaint have been dismissed since inception of the suit, and we believe that the Tegal lawsuit will not materially adversely affect our operating results or financial position. See Part II Item 1 of this Form 10-Q for a discussion of the Tegal lawsuit.

We May Fail to Protect Our Proprietary Technology Rights, which Would Affect Our Business

Our success depends in part on our proprietary technology. While we attempt to protect our proprietary technology through patents, copyrights and trade secret protection, we believe that our success also depends on increasing our technological expertise, continuing our development of new systems, increasing market penetration and growth of our installed base, and providing comprehensive support and service to our customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. We currently hold a number of United States and foreign patents and pending patent applications. However, other parties may challenge or attempt to invalidate or circumvent any patents the United States or foreign governments issue to us or these governments may fail to issue pending applications. In addition, the rights granted or anticipated under any of these patents or pending patent applications may be narrower than we expect or in fact provide no competitive advantages.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

For financial market risks related to changes in interest rates and foreign currency exchange rates, refer to Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in the Company's Annual Report on Form 10-K for the year ended June 30, 2002.

During the third quarter of fiscal 2002, we entered into an interest rate swap agreement with a notional amount of \$300 million in order to hedge changes in the fair value of our 4% Notes, attributable to changes in the benchmark interest rate. The transaction exchanged 4% fixed interest payments for variable interest payments based on the LIBOR based interest rate, resulting in interest expense savings of approximately \$2.5 million for the three months ended September 29, 2002. Should 6-month LIBOR interest rates rise above approximately 5% per annum in future periods, incremental interest expense may be incurred.

ITEM 4. Controls and Procedures

(a). Within the 90 days prior to the date of filing of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chairman and Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-14 and 13a-15. Based upon that evaluation, our Chairman and Chief Executive Officer along with our Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including our consolidated subsidiaries) required to be included in our periodic SEC filings.

We intend to review and evaluate the design and effectiveness of our disclosure controls and procedures on an ongoing basis and to improve our controls and procedures over time and to correct any material deficiencies that we may discover in the future. Our goal is to ensure that our senior management has timely access to all material financial and non-financial information concerning our business. While we believe the present design of our disclosure controls and procedures is effective to achieve our goal, future events affecting our business may cause us to significantly modify our disclosure controls and procedures. It should be noted that the design of any system of controls is based in part upon assumptions about the likelihood of certain events, and there can be no assurance that any design can succeed in achieving its stated goals under all potential conditions, regardless of how remote.

(b). There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out this evaluation.

ITEM 1. Legal Proceedings

In September 1999, Tegal Corporation ("Tegal") brought suit against us seeking monetary damages and injunctive relief based on our alleged infringement of certain patents held by Tegal. Specifically, Tegal identified our 4520XLeã and Exelanã products as infringing the patents Tegal is asserting. On our motion, this case was transferred to California and is now pending in the United States District Court for the Northern District of California. In view of appellate rulings by the Court of Appeals for the Federal Circuit on issues appealed by Tegal in respect of prior litigation between Tegal and Tokyo Electron Ltd. and Tokyo Electron America, Tegal in June 2002 moved to dismiss its claims against Lam in connection with Lam's 4520XLe products. In July 2002, a claims construction hearing was held in the United States District Court to construe a single term in Tegal's sole remaining asserted claim. In August 2002, the United States District Court granted Tegal's motion to dismiss Tegal's claims against Lam's 4520XLe products and in September 2002, issued its construction order construing the term "low frequency". No trial date is currently scheduled in the action; however, a hearing is scheduled in November 2002 for the purpose of hearing Lam's motion for summary judgment as to the remaining claim. Furthermore, there have been no findings in the action, which have caused us reasonably to believe that any infringement, if found, or any damages, if awarded, could have a material adverse effect on our operating results or our financial position.

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

ITEM 5. Other Information

In accordance with Section 10A(i)(2) of the Securities Exchange Act of 1934, as amended by section 202 of the Sarbanes-Oxley Act of 2002 (the "ACT"), we are disclosing the non-audit services approved in the first quarter of fiscal 2003 by our Audit Committee to be performed by Ernst & Young LLP, our independent auditors. Non-audit services are defined in the ACT as services other than those provided in connection with the audit or the review of the financial statements of the company. During the quarterly period covered by this filing, the Audit Committee approved Ernst & Young to perform certain non-audit maintenance and transition services that will allow us to have tax services historically performed for us by Ernst & Young to be transferred to a different accounting firm.

ITEM 6. Exhibits and Reports on Form 8-K

- a. **Exhibits:** See Index to Exhibits on page 49 of this report.
- b. **Reports on Form 8-K**

We did not file any reports on Form 8-K during the quarter ended September 29, 2002.

LAM RESEARCH CORPORATION

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2002

LAM RESEARCH CORPORATION
(Registrant)

By: /s/ Mercedes Johnson

Mercedes Johnson
Senior Vice President, Finance and Chief Financial Officer
(Chief Accounting Officer)

**CERTIFICATION PURSUANT TO RULE 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, James W. Bagley, Chairman and Chief Executive Officer of Lam Research Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lam Research Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

/s/ James W. Bagley
James W. Bagley
Chairman and Chief Executive Officer

**AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mercedes Johnson, Senior Vice President, Finance, Chief Financial Officer and Chief Accounting Officer of Lam Research Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Lam Research Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

November 12, 2002

/s/ Mercedes Johnson
Mercedes Johnson
Senior Vice President, Finance
Chief Financial Officer and
Chief Accounting Officer

FOR THE THREE MONTHS ENDED SEPTEMBER 29, 2002
EXHIBIT INDEX

Exhibit

Description

- | | |
|------|--|
| 3.2 | Amended and Restated Bylaws of the Registrant, dated November 7, 2002. |
| 99.1 | Certification of the Chief Executive Officer pursuant t Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.2 | Certification of the Chief Financial Officer pursuant t Section 906 of the Sarbanes-Oxley Act of 2002. |
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AMENDED AND RESTATED

BYLAWS

OF

LAM RESEARCH CORPORATION

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the corporation shall be in the City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent of the corporation at such location is The Corporation Trust company.

1.2 OTHER OFFICES

The board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. In the absence of such designation, the annual meeting of stockholders shall be held on the second Thursday of November in each year at 2:00 p.m. However, if such day falls on a legal holiday, then the meeting shall be held at the same time and place on the next succeeding full business day. At the meeting, directors shall be elected and any other proper business may be transacted.

Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the corporation. Nominations of persons for election to the board of directors may be made at any annual meeting of stockholders (a) by or at the direction of the board of directors (or any duly authorized committee thereof) or (b) by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.2 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.2.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

To be timely, a stockholder's notice to the secretary must be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting of stockholders; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the corporation that are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice (i) the name and record address of such stockholder, (ii) the class or series and number of shares of capital stock of the corporation that are owned beneficially or of record by such stockholder, (iii) a description of all arrangements or understandings between such stockholder and each proposed nominee and any other person or persons (including their names) pursuant to which the nomination(s) are to be made by such stockholder, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such stockholder that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this Section 2.2. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2.2 and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedure set forth in this Section 2.2.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

To be timely, a stockholder's notice to the secretary must be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the date of the annual meeting of stockholders; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure of the date of the annual meeting was made, whichever first occurs.

To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the

reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder, (iii) the class or series and number of shares of capital stock of the corporation that are owned beneficially or of record by such stockholder, (iv) a description of all arrangements or understandings between such stockholder and any other person or persons (including their names) in connection with the proposal of such business by such stockholder and any material interest of such stockholder in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.2, provided, however, that, once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.2 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

2.3 SPECIAL MEETING

Unless otherwise expressly provided in the Certificate of Incorporation of the corporation, special meetings of the stockholders may only be called by the chairman of the board, by the president or at the request in writing of a majority of the board of directors. Special meetings of stockholders of the corporation may not be called by any other person or persons.

If a special meeting is called by any person or persons other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5, and that a meeting will be held at the time requested by the person or persons who called the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.5 of these bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date, and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.6 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the certificate of incorporation. If, however, such quorum is not present or represented at any meeting of the stockholders, then either (i) the

chairman of the meeting or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

2.7 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.8 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as set forth in the immediately following paragraph of this Section 2.8 or otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. The board of directors, in its discretion, or the officer of the corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

At the election of directors of the corporation, each holder of stock or of any class or classes or of a series or series thereof shall be entitled to as many votes as shall equal the number of which (except for such provision as to cumulative voting) he would be entitled to cast for the election of directors with respect to his shares of stock multiplied by the number of directors to be elected by him, and he may cast all of such votes for a single director or may distribute them among the number for, or for any two or more of them as he may see fit; provided, however, that no stockholder shall be entitled to so cumulate such stockholder's votes unless the candidates for which such stockholder is voting have been placed in nomination in accordance with Section 2.2 of this Article II and a stockholder has given timely notice of an intention to cumulate votes. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the corporation not less than sixty (60) days nor more than ninety (90) days prior to the meeting; provided, however, that in the event that less than seventy (70) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the tenth (10th) day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever first occurs. If any one stockholder has given proper notice of an intention to cumulate votes pursuant to this Section 2.8, all stockholders may cumulate their votes for candidates properly in nomination.

When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provision of the statutes or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of the question.

2.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person

attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

2.10 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise provided in the certificate of incorporation, any action required by this chapter to be taken at any annual or special meeting of stockholders of a corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the board of directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the secretary, request the board of directors to fix a record date. The board of directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the board of directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded, to the attention of the secretary of the corporation. Delivery shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by applicable law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the date on which the board of directors adopts the resolution taking such prior action.

In the event of the delivery to the corporation of a written consent or consents purporting to authorize or take corporate action and/or related revocations (each such written consent and any revocation thereof is referred to in this Section 2.10 as a "Consent"), the secretary of the corporation shall provide for the safekeeping of such Consents and shall as soon as practicable thereafter conduct such reasonable investigation as he deems necessary or appropriate for the purpose of ascertaining the validity of such Consents and all matters incident thereto, including, without limitation, whether the holders of shares having the requisite voting power to authorize or take the action specified in the Consents have given consents. No consent to corporate action in writing without a meeting shall be effective unless delivered to the corporation within sixty (60) days following the record date relating thereto fixed pursuant to this Section 2.10.

2.11 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive

payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall be not more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action.

If the board of directors does not so fix a record date:

(i) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

(ii) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.12 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the corporation, but no such proxy shall be voted or acted upon after three (3) years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.13 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. Such list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

2.14 CONDUCT OF BUSINESS

The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and the conduct of business.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the certificate of incorporation or these bylaws relating to action required to be

approved by the stockholders or by the outstanding shares, the business and affairs of the corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER OF DIRECTORS

The number of directors of the corporation shall be not less than four (4) nor more than (7). The exact number of directors shall be seven (7).

No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 ELECTION, QUALIFICATION AND TERM OF OFFICE OF DIRECTORS

Except as provided in Section 3.4 of these bylaws, directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws, wherein other qualifications for directors may be prescribed. Each director, including a director elected to fill a vacancy, shall hold office until his successor is elected and qualified or until his earlier resignation or removal.

Elections of directors need not be by written ballot.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the corporation. When one or more directors so resigns and the resignation is effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office as provided in this section in the filling of other vacancies.

A vacancy created by the removal of a director by the vote or written consent of the stockholders or by a court order may be filled only by the vote of a majority of the outstanding shares entitled to vote thereon represented at a duly held meeting at which a quorum is present, or by the unanimous written consent of all shares entitled to vote thereon. Each director so elected shall hold office until the next annual meeting of the stockholders and until a successor has been elected and qualified.

Unless otherwise provided in the certificate of incorporation or these bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the certificate of incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten (10) percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in

office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

A director elected or appointed to fill a vacancy shall serve until the next annual meeting of stockholders or until a successor shall be elected and qualified.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 FIRST MEETINGS

The first meeting of each newly elected board of directors shall be held at such time and place as shall be fixed by the vote of the stockholders at the annual meeting and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event of the failure of the stockholders to fix the time or place of such first meeting of the newly elected board of directors, or in the event such meeting is not held at the time and place so fixed by the stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the board of directors, or as shall be specified in a written waiver signed by all of the directors.

3.7 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice if the times of such meetings are fixed by the board of directors.

3.8 SPECIAL MEETINGS; NOTICE

Notice of the time and place of special meetings shall be given to each director at that director's address as it is shown on the records of the corporation. Notice of such special meeting stating the place, date and hour of the meeting shall be given to each director either (i) by mail not less than four (4) days before the date of the meeting, or (ii) personally, by telephone, telecopy, telegram, telex or other similar means of communication on twenty-four (24) hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director whom the person giving the notice has reason to believe will promptly communicate it to the director.

3.9 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the certificate of incorporation. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the certificate of incorporation or these bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or

convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the certificate of incorporation or these bylaws.

3.11 ADJOURNED MEETING; NOTICE

If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.12 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.13 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attending each meeting of the board of directors and may be paid a fixed sum for attending each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.14 APPROVAL OF LOANS TO OFFICERS

The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiary, including any officer or employee who is a director of the corporation or its subsidiary, whenever in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in this section contained shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

3.15 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the certificate of incorporation or by these bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors; provided, however, that, so long as stockholders of the corporation are entitled to cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his or her removal would be sufficient to elect him or her if then cumulatively voted at an election of the entire board of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the bylaws of the corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committees shall have the power or authority to (i) amend the certificate of incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the corporation), (ii) adopt an agreement of merger or consolidation under Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, (iv) recommend to the stockholders a dissolution of the corporation or a revocation of a dissolution, or (v) amend the bylaws of the corporation; and, unless the board resolution establishing the committee, the bylaws or the certificate of incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these bylaws, Section 3.5 (place of meetings and meetings by telephone), Section 3.7 (regular meetings), Section 3.8 (special meetings and notice), Section 3.9 (quorum), Section 3.10 (waiver of notice), Section 3.11 (adjournment and notice of adjournment), and Section 3.12 (action without a meeting), with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meeting of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

V.

OFFICERS

1. OFFICERS

The officers of the corporation shall be a president, one or more vice presidents, a secretary, and a treasurer. The corporation may also have, at the discretion of the board of directors, a chairman of the board, one or more assistant vice presidents, assistant secretaries, assistant treasurers, and any such other officers as may be appointed in accordance with the provisions of Section 5.3 of these bylaws. Any number of offices may be held by the same person.

2. ELECTION OF OFFICERS

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 5.3 or 5.5 of these bylaws, shall be chosen by the board of directors, subject to the rights, if any, of any officer under any contract of employment.

3. SUBORDINATE OFFICERS

The board of directors may appoint or empower the president to appoint, such other officers and agents as the business of the corporation may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

4. REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5. VACANCIES IN OFFICES

Any vacancy occurring in any office of the corporation shall be filled by the board of directors.

6. CHAIRMAN OF THE BOARD

The chairman of the board shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction and control of the business and the officers of the corporation. He shall preside at all meetings of the board of directors and shareholders. He shall have the general powers and duties of management generally vested in the office of chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

7. PRESIDENT

The president shall be the chief operating officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the internal affairs and operations of the corporation. He shall have the general powers and duties of management usually vested in the office of chief operating officer of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors or these bylaws.

8. VICE PRESIDENTS

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the president and when so acting shall have all the powers of, and be subject to all the restrictions upon, the president. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these bylaws, the president or the chairman of the board.

9. SECRETARY

The secretary shall keep or cause to be kept, at the principal office of the corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and shareholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the corporation or at the office of the corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the board of directors required to be given by law or by these bylaws. He shall keep the seal of the corporation, if one be adopted, in safe custody and shall have such other power and perform such other duties as may be prescribed by the board of directors or by these bylaws.

10. CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the board of directors. He shall disburse the funds of the corporation as may be ordered by the board of directors, shall render to the president and directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these bylaws.

11. ASSISTANT SECRETARY

The assistant secretary, or if there is more than one, the assistant secretaries in the order determined by the stockholders or board of directors (or if there be no such determination then in the order of their election) shall, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

12. ASSISTANT TREASURERS

The assistant treasurer, or, if there is more than one, the assistant treasurer, in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election), shall, in the absence of the chief financial officer or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

13. AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders.

VI.

INDEMNITY

1. INDEMNIFICATION OF DIRECTORS AND OFFICERS

The corporation shall, to the maximum extent and in the manner permitted by the General Corporation Law of Delaware, indemnify each of its directors and officers against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.1, a "director" or "officer" of the corporation includes any person (i) who is or was a director or officer of the corporation, (ii) who is or was servicing at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was a director or officer of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

2. INDEMNIFICATION OF OTHERS

The corporation shall have the power, to the extent and in the manner permitted by the General Corporation Law of Delaware, to indemnify each of its employees and agents (other than directors and officers) against expenses (including attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding, arising by reason of the fact that such person is or was an agent of the corporation. For purposes of this Section 6.2, an "employee" or "agent" of the corporation (other than a director or officer) includes any person (i) who is or was an employee or agent of the corporation, (ii) who is or was serving at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, or (iii) who was an employee or agent of a corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation.

3. INSURANCE

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of the General Corporation Law of Delaware.

VII.

RECORDS AND REPORTS

1. MAINTENANCE AND INSPECTION OF RECORDS

The corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its shareholders listing their names and addresses and the number and class of shares held by each shareholder, a copy of these bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to

inspection, the demand under oath shall be accompanied by a power of attorney of such other writing that authorizes the attorney or other agent to so act on behalf of stockholder. The demand under oath shall be directed to the corporation at its registered office in Delaware or at its principal place of business.

The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for, a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

2. INSPECTION BY DIRECTORS

Any director shall have the right to examine the corporation's stock ledger, a list of its stockholders, and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

3. ANNUAL STATEMENT TO STOCKHOLDERS

The board of directors shall present at each annual meeting, and at any special meeting of the stockholders when called for by vote of the stockholders, a full and clear statement of the business and condition of the corporation.

4. REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the president, any vice president, the chief financial officer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

III.

1. CHECKS

From time to time, the board of directors, shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the corporation, and only the persons so authorized shall sign or endorse those instruments.

2. EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these bylaws, may authorize any officer or officers, or agent or agents, to enter into any

contract or execute any instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of any officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

3. STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of the corporation shall be represented by certificates, provided that the board of directors may establish by resolution or resolutions that some or all of any or all classes or series of the corporation's stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and, upon request, every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman or vice chairman of the board of directors, or the president or vice president, and by the chief financial officer or an assistant treasurer, or the secretary or an assistant secretary of the corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signatures has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he or she were such officer, transfer agent or registrar at the date of issue.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, or upon the books and records of the corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

4. SPECIAL DESIGNATION CERTIFICATES

If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock a statement that the corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relatives, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

5. LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and canceled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any uncertificated shares.

6. CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, the masculine gender includes the feminine, the feminine gender includes the masculine, and the term "Person" includes both a corporation and a natural person.

7. DIVIDENDS

The directors of the corporation, subject to any restrictions contained in the certificate of incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of Delaware. Dividends may be paid in cash, in property, or in shares of the corporation's capital.

The directors of the corporation may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserves. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

8. FISCAL YEAR

The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors. Unless otherwise designated, the fiscal year of the corporation shall end on June 30.

9. SEAL

The corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

10. TRANSFER OF STOCKS

Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

11. STOCK TRANSFER AGREEMENTS

The corporation shall have power to enter into and perform, any agreement with any number of shareholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

12. REGISTERED STOCKHOLDERS

The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

IX.

AMENDMENTS

The original or other bylaws of the corporation may be adopted, amended or repealed by the stockholders entitled to vote, provided, however, that the corporation may,

in its certificate of incorporation, confer the power to adopt, amend or repeal bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal bylaws.

X.

DISSOLUTION

If it should be deemed advisable in the judgment of the board of directors of the corporation that the corporation should be dissolved, the board, after the adoption of a resolution to that effect by a majority of the whole board at any meeting called for that purpose, shall cause notice to be mailed to each stockholder entitled to vote thereon of the adoption of the resolution and of a meeting of stockholders to take action upon the resolution.

At the meeting a vote shall be taken for and against the proposed dissolution. If a majority of the outstanding stock of the corporation entitled to vote thereon votes for the proposed dissolution, then a certificate stating that the dissolution has been authorized in accordance with the provision of section 275 of the General Corporation Law of Delaware and setting forth the names and residences of the directors and officers shall be executed, acknowledged, and filed and shall become effective in accordance with Section 103 of the Federal Corporation Law of Delaware. Upon such certificates becoming effective in accordance with Section 103 of the General Corporation Law of Delaware, the corporation shall be dissolved.

Whenever all the stockholders entitled to vote on a dissolution consent in writing, either in person or by duly authorized attorney, to a dissolution, no meeting of directors or stockholders shall be necessary. The consent shall be filed and shall become effective in accordance with Section 103 of the General Corporation Law of Delaware. Upon such consents becoming effective in accordance with Section 103 of the General Corporation Law of Delaware, the corporation shall be dissolved. If the consent is signed by an attorney, then the original power of attorney or a photocopy thereof shall be attached to and filed with the consent. The consent filed with the Secretary of State shall have attached to it the affidavit of the secretary of some other officer of the corporation stating that the consent has been signed by or on behalf of all the stockholders entitled to vote on a dissolution; in addition, there shall be attached to the consent a certification by the secretary or some other officer of the corporation setting forth the names and residences of the directors and officers of the corporation.

XI.

CUSTODIAN

1. APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES

The Court of Chancery, upon application of any stockholder, may appoint one or more persons to be custodians and, if the corporation is insolvent, to be receivers, of and for the corporation when:

- i. at any meeting held for the election of directors the stockholders are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon qualification of their successors; or
- ii. the business of the corporation is suffering or is threatened with irreparable injury because the directors are so divided respecting the management of the affairs of the corporation that the required vote for action by the board of directors cannot be obtained and the stockholders are unable to terminate this division; or
- iii. the corporation has abandoned its business and has failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets.

2. DUTIES OF CUSTODIAN

The custodian shall have all the powers and title of a receiver appointed under Section 291 of the General Corporation Law of Delaware, but the authority of the custodian shall

be to continue the business of the corporation and not to liquidate its affairs and distribute its assets, except when the Court of Chancery otherwise orders and except in cases arising under Sections 226(a)(3) or 352 (a)(2) of the General Corporation Law of Delaware.

CERTIFICATE OF ADOPTION OF AMENDED AND RESTATED BYLAWS
OF
LAM RESEARCH CORPORATION

Certificate of Adoption

The undersigned hereby certifies that he is the duly elected, qualified, and acting Assistant Secretary of Lam Research Corporation (the "Corporation") and that the foregoing Amended and Restated Bylaws, comprising thirty-five (35) pages, were adopted as the Amended and Restated Bylaws of the Company on November 7, 2002 at a duly called meeting of the Board of Directors of the Company.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and affixed the corporate seal this 11th day of November, 2002.

/s/ GEORGE SCHISLER

George Schisler, Assistant Secretary

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lam Research Corporation (the "Company") on Form 10-Q for the fiscal period ending September 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Bagley, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2002

/s/ James W. Bagley
James W. Bagley
Chairman and Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Lam Research Corporation (the "Company") on Form 10-Q for the fiscal period ending September 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mercedes Johnson, Senior Vice President, Finance, Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 12, 2002

/s/ Mercedes Johnson
Mercedes Johnson
Senior Vice President, Finance, Chief Financial
Officer and Chief Accounting Officer