

DELEGATION ORDER



**Training Proposal for:
Lam Research Corporation
Agreement Number: ET16-0304**

Approval Date: December 11, 2015

ETP Regional Office: San Francisco Bay Area

Analyst: C. Hoover

PROJECT PROFILE

Contract Attributes:	Retrainee Priority Rate	Industry Sector(s):	Manufacturing Technology/Other Priority Industry: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Counties Served:	Alameda, Santa Clara	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 2,459	U.S.: 4,046	Worldwide: 6,922
<u>Turnover Rate:</u>	5%		
<u>Managers/Supervisors:</u> (% of total trainees)	10%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$48,816		\$0	\$0		\$48,816

In-Kind Contribution:	100% of Total ETP Funding Required	\$124,200
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TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee Priority Rate	Cont. Imp., Computer Skills	113	8-200	0	\$432	\$24.00
				Weighted Avg: 24			

Minimum Wage by County: \$16.44 per hour for Alameda and Santa Clara counties.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
Senior Manager		6
Manager		6
Senior Scheduler/Planner		2
Senior Buyer/Expeditor		12
Buyer/Expeditor		12
Senior Engineer		4
Engineer		4
Supplier Quality Engineer		6
Finance Analyst		4
Operations Analyst		12
Supplier Bus Manager		30
Pilot Planner		7
Product Change Analyst		8

INTRODUCTION

Lam Research Corporation (Lam) (www.lamrc.com) was founded in 1980 and is headquartered in Fremont with a facility in Livermore. Lam is a supplier of wafer fabrication equipment and provides services to the semiconductor industry (Samsung, Intel, TSMC, Toshiba). Lam's acquisition of Novellus Systems, Inc. (Novellus) created a broad portfolio of product capabilities. This includes Lam's etch and single-wafer clean; and, Novellus' thin film deposition and photoresist strip.

This is the fourth ETP Agreement and training will be similar to the previous project. The Company will train its employees in Continuous Improvement and new software applications. Some trainees not employed during the previous contract will be included, but no training will be duplicated.

PROJECT DETAILS

Lam is focused on creating positive change. The Company's objective is to develop employee skills that turn tactical workers into strategic thinkers. The curriculum will include new software applications to drive efficiency and scalability. Lam will focus on employee development with the following:

- Accelerate performance (Waste Reduction)
- Create positive-change strategies (Value Stream Mapping)
- Establish a sense of urgency (Lean Management)
- Create & communicate a shared vision. (Standardizing Work)

Training Plan

All training will be Classroom/Laboratory training.

Continuous Improvement (80%): Training will be offered to all occupations. This training will focus on the need to eliminate waste in processes, while meeting customer demands for high-quality products with greater speed and flexibility.

Computer Skills (20%): Training will be offered to all occupations. This training will be used to enhance the capability of the employees to extract data from local servers and perform data analysis and present in a manner that can be summarized in a spreadsheet or chart format for management reviews.

Commitment to Training

Lam spends \$446,000 on training annually in California with \$424,000 (95%) allocated to Fremont facility and \$22,000 to the Livermore facility. Most training is company-wide, and it's delivered via Class/Lab, on-the-job (for new hires) and Computer-Based Training (CBT) in the following:

- Work Place Harassment Prevention (annually)
- Information Security (annually)
- Environmental Health and Safety (quarterly)
- Copy Exactly! (annually)
- Legal & Ethics Compliance (every 2 yrs)
- Kronos (time-cards)
- Foreign Trade Awareness & Anti-boycott Compliance (every 2 yrs)
- New Hire Employee Training
- General Finance Overview
- Lean All Enterprise

Lam represents that ETP funds will not displace the existing financial commitment to training. Safety training is provided in accordance with all pertinent requirements under state and federal law.

Lam will continue with its required training (above), as well as other needed training related to newly adopted software applications and/or changes in its business processes.

➤ Training Infrastructure

This training project will be managed by the Global Manufacturing Inventory Management & Global Operations business process teams, consisting of two Directors, one Manager and one Analyst.

Impact/Outcome

The Continuous Improvement training's "Lean All The Enterprise" topic is focused on employee development, specifically around Statistical Process Control techniques. For example, this Lean training will teach employees how to develop a Value Stream Map that helps identify steps in a process that may be of no benefit, while learning how to quantify the savings in hours and money saved by eliminating non-value added steps and standardizing processes across the organization.

With the acquisition of new software applications, the Company gives the employees the capability to obtain data on their own without having to request special reporting from its Information Technology. Certifications will be given to the trainees for the completion of training under Computer Skills for two courses - Every Angle Software Application and Kinaxis Software Application.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by Lam under ETP Agreements that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned	
				\$	%
ET13-0318	Fremont, Livermore	4/1/13 – 3/31/15	\$99,000	\$49,221 (50%)	
ET11-0209	Fremont, Livermore	3/28/11 – 3/27/13	\$249,984	\$123,966 (50%)	

ET13-0318, not all of the participants were able to complete training in Continuous Improvement due to peak business periods. Trainees that didn't fully participate will be included in the current ETP Agreement.

- The current project has been right-sized to reflect the company's previous performance.

ET11-0209: Three months after the ETP Agreement was signed, Lam announced the acquisition of Novellus. At that point in time, 40% to 60% of the employees scheduled to attend ETP training were diverted to work on merging the two companies' ERP systems. Executive management wanted the two ERP systems migrated into a single system, which includes all functions. This was a huge undertaking as both companies had taken different approaches in business process and system configuration.

The Livermore employees were the most affected by the merger, and their training was delayed by several months. As well, due to unforeseen year-end reporting requirements, the Fremont staff were

pulled from training to work on auditors' requests. Overall, training was delayed and fewer staff was able to reach the minimum number of hours required for ETP training.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

Center for Manufacturing Education of San Jose has been retained to provide Continuous Improvement (Lean All The Enterprise) for approximately \$60,000. Other training vendors will be identified for ETP record-keeping purposes, as they are retained by Lam Research Corporation.

Exhibit B: Menu Curriculum

Class/Lab Hours

8-200 Trainees may receive any of the following:

CONTINUOUS IMPROVEMENT

- ✚ Lean All The Enterprise:
 - History of Lean, TQC and JIT
 - Lean Management
 - Value Stream Mapping
 - Waste Reduction
 - Finding and Fixing Root Cause and the Tools Needed
 - Measuring and Reducing Variation
 - Standardizing Work
 - Developing a 6S Program

COMPUTER SKILLS

- ✚ Every Angle Software Application
- ✚ Kinaxis Software Application
- ✚ OPT (Information Delivery/Qlik) – Lam Designed Software Application

Note: Reimbursement for retraining is capped at 200 total training hours per trainee, regardless of the method of delivery.