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LSI LOGIC CORP
Form DEF 14A
March 29, 2002

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant []

Filed by a Party other than the Registrant []

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 240.14a-11(c) or 240.14a-12

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

LSI LOGIC CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 2, 2002

To the Stockholders:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of LSI Logic Corporation (the "Company"), a Delaware corporation, will be held on Thursday, May 2, 2002, at 10:00 a.m., local time, at the Company's facility located at 1621 Barber Lane, Milpitas, CA 95035, for the following purposes:

1. To elect eight directors to serve for the ensuing year and until their successors are elected.
2. To approve an amendment to the Amended and Restated Employee Stock Purchase Plan to increase the number of shares of common stock reserved for issuance thereunder by 10,000,000.
3. To approve an amendment to the Company's 1991 Equity Incentive Plan to increase the number of shares of common stock reserved for issuance thereunder by 6,000,000.
4. To ratify the appointment of PricewaterhouseCoopers LLP as independent accountants of the Company for its 2002 fiscal year.
5. To transact such other business as may properly come before the meeting and any adjournments thereof.

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

Only stockholders of record at the close of business on March 8, 2002, are entitled to notice of and to vote at the meeting.

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

Sincerely,

David G. Pursel
Corporate Secretary

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Milpitas, California
March 29, 2002

YOUR VOTE IS IMPORTANT

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

LSI LOGIC CORPORATION

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

GENERAL

The enclosed Proxy is solicited on behalf of LSI Logic Corporation (referred to as "LSI Logic" or the "Company"), a Delaware corporation, for use at the Annual Meeting of Stockholders to be held on Thursday, May 2, 2002, at 10:00 a.m., local time, or at any adjournment(s) thereof, for the purposes set forth in this proxy statement and in the accompanying Notice of Annual Meeting of Stockholders. The annual meeting will be held at the Company's facility located at 1621 Barber Lane, Milpitas, CA 95035. The address of the Company's principal executive offices is 1551 McCarthy Boulevard, Milpitas, California 95035, and the Company's telephone number is (408) 433-8000.

These proxy solicitation materials were mailed on or about March 29, 2002, to all stockholders entitled to vote at the meeting.

RECORD DATE; SHARES OUTSTANDING

Stockholders of record at the close of business on the record date of March 8, 2002 (the "Record Date") are entitled to notice of and to vote at the meeting. As of the Record Date, 369,190,586 shares of the Company's common stock, \$0.01 par value, were issued and outstanding. On the Record Date, the closing price of the Company's common stock on the New York Stock Exchange was \$18.58 per share.

REVOCABILITY OF PROXIES

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Corporate Secretary of the Company at the Company's principal executive offices a written notice of revocation or a duly executed proxy bearing a later date or by attending the meeting and voting in person.

VOTING AND SOLICITATION

On all matters other than the election of directors, each share has one vote. See "ELECTION OF DIRECTORS -- REQUIRED VOTE." The cost of soliciting proxies will be borne by the Company. The Company has retained the services of Georgeson & Company, Inc. to aid in the solicitation of proxies from brokers, bank nominees and other institutional owners. The Company estimates that it will pay Georgeson & Company, Inc. a fee not to exceed \$10,000 for its services and will reimburse it for certain out of pocket expenses estimated to be \$10,000. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding

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solicitation material to such beneficial owners. Proxies may be solicited by some of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone.

QUORUM; ABSTENTIONS; BROKER NON-VOTES

The required quorum for the transaction of business at the annual meeting is a majority of the votes eligible to be cast by holders of shares of common stock issued and outstanding on the Record Date. Shares that are voted "FOR," "AGAINST," or "WITHHELD FROM" a matter are treated as being present at the meeting for purposes of establishing a quorum and are also treated as votes cast at the annual meeting with respect to that matter (the "Votes Cast").

The Company intends to count abstentions for purposes of determining both the presence and absence of a quorum and the total number of Votes Cast with respect to any matter (other than the election of directors).

1

Broker non-votes will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be considered to be Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, broker non-votes will not affect the outcome of the voting on a proposal that requires a majority of the Votes Cast (such as the approval of a plan amendment). However, with respect to a proposal that requires a majority of the outstanding shares (such as an amendment to the certificate of incorporation), a broker non-vote has the same effect as a vote against the proposal.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 2003 annual meeting and that stockholders desire to have included in the Company's proxy materials relating to such meeting must be received by the Company no later than November 29, 2002, which is 120 calendar days prior to the anniversary of this year's mail date, and must be in compliance with applicable laws and regulations in order to be considered for possible inclusion in the proxy statement and form of proxy for that meeting.

If a stockholder wishes to present a proposal at the Company's annual meeting in the year 2003 and the proposal is not intended to be included in the Company's proxy statement relating to that meeting, the stockholder must give advance notice to the Company prior to the deadline for such meeting determined in accordance with the Company's Bylaws (the "Bylaw Deadline"), as described below in the section entitled "Other Matters." If a stockholder gives notice of such a proposal after the Bylaw Deadline, the stockholder will not be permitted to present the proposal to the stockholders for a vote at the meeting.

SEC rules also establish a different deadline for submission of stockholder proposals that are not intended to be included in the Company's proxy statement with respect to discretionary voting (the "Discretionary Vote Deadline"). The Discretionary Vote Deadline for the year 2003 annual meeting is February 12, 2003 (45 calendar days prior to the anniversary of the mailing date of this proxy statement). If a stockholder gives notice of such a proposal after the Discretionary Vote Deadline, the Company's proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at the Company's year 2003 annual meeting. Because the Bylaw Deadline is not capable of being determined until the Company publicly announces the date for its next annual meeting, it is possible that the Bylaw Deadline may occur after the Discretionary Vote Deadline. In such a case,

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a proposal received after the Discretionary Vote Deadline but before the Bylaw Deadline would be eligible to be presented at next year's annual meeting and the Company believes that its proxy holders would be allowed to use the discretionary authority granted by the proxy card to vote against the proposal at the meeting without including any disclosure of the proposal in the proxy statement relating to such meeting.

The Company has not been notified by any stockholder of his or her intent to present a stockholder proposal from the floor at this year's annual meeting. The enclosed proxy card grants the proxy holders discretionary authority to vote on any matter properly brought before the annual meeting, including any stockholder proposals received between the date of this proxy statement and the Bylaw Deadline for this year's annual meeting, which is April 5, 2002 (the seventh day after this proxy statement is mailed).

SECURITY OWNERSHIP

SECURITY OWNERSHIP

The following table sets forth certain information with respect to the beneficial ownership of the Company's common stock as of the Record Date, by all persons known to the Company to be beneficial owners of more than five percent of the Company's common stock, by all directors and executive officers

2

named in the Summary Compensation Table on page 17 of this proxy statement and by all current directors and executive officers as a group.

NAME -----	NUMBER OF SHARES BENEFICIALLY OWNED -----	APPROXIMATE PERCENTAGE OWNED -----
FMR Corp (1).....	24,719,004	6.7%
Putnam Investments, LLC (2).....	23,659,570	6.4%
Wilfred J. Corrigan (3).....	13,653,936	3.7%
T.Z. Chu (4).....	208,150	*
Malcolm R. Currie (5).....	262,750	*
James H. Keyes (6).....	201,250	*
R. Douglas Norby (7).....	47,456	*
Matthew J. O'Rourke (8).....	72,500	*
Larry W. Sonsini (9).....	33,089	*
Gregorio Reyes.....	10,000	*
Joseph M. Zelayeta (10).....	956,500	*
W. Richard Marz (11).....	730,854	*
Bryon Look (12).....	363,931	*
Thomas Georgens (13).....	347,650	*
All current directors and executive officers as a group 18 persons (14).....	18,147,239	4.9%

* Less than 1%

- (1) As reported in Amendment No. 3 to Schedule 13G filed February 14, 2002, with the Commission by the Fidelity and Management Research Corporation ("FMR") on behalf of Edward C. Johnson 3d, Abigail P. Johnson and itself.

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As of December 31, 2001, FMR, a parent holding company, had sole voting power with respect to 6,990,720 shares. FMR, Mr. Johnson and Ms. Johnson each had sole dispositive power over all shares. The amount shown in the table includes 1,058,261 shares issuable upon conversion of convertible notes. The address for FMR is 82 Devonshire Street, Boston, Massachusetts 02109.

- (2) As reported in Schedule 13G filed February 13, 2002, with the Commission by Putnam Investments, LLC ("Putnam"). Putnam, which is a wholly owned subsidiary of Marsh & McLennan Companies, Inc. ("MMC"), wholly owns two registered investment advisors, Putnam Investment Management, LLC ("PIM") and The Putnam Advisory Company, LLC. MMC disclaims beneficial ownership of the shares owned by Putnam. Putnam, an investment advisor, has shared voting power with respect to 2,541,737 shares and shared dispositive power over all of these shares. PIM, which beneficially owns 20,099,521 shares (5.4%), has no voting power over any shares and shared dispositive power over 20,099,521 shares. The address for Putnam is One Post Office Square, Boston, Massachusetts 02109.
 - (3) Includes options held by Mr. Corrigan to purchase 3,825,000 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (4) Includes options held by Mr. Chu to purchase 106,250 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (5) Includes options held by Dr. Currie to purchase 106,250 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (6) Includes options held by Mr. Keyes to purchase 106,250 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (7) Includes options held by Mr. Norby to purchase 25,000 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
- 3
- (8) Includes options held by Mr. O'Rourke to purchase 72,500 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (9) Includes options held by Mr. Sonsini to purchase 32,500 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (10) Includes options held by Mr. Zelayeta to purchase 925,500 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (11) Includes options held by Mr. Marz to purchase 712,500 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
 - (12) Includes options held by Mr. Look to purchase 350,000 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.

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- (13) Includes options held by Mr. Georgens to purchase 312,500 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.
- (14) Includes options to purchase 7,776,250 shares, which are presently exercisable or will become exercisable within 60 days of the Record Date.

PROPOSAL ONE

ELECTION OF DIRECTORS

NOMINEES

A board of eight directors is to be elected at the meeting. All directors are elected annually and serve a one-year term until the next annual meeting or until his successor has been elected and qualified. The Nominating Committee of the Board of Directors selected, and the Board of Directors accepted, the eight nominees named below for election to the Board. All nominees are currently directors of the Company.

The Board of Directors expects all nominees named below to be available to serve as directors if elected. If any nominee of the Company is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for a nominee designated by the current Board of Directors to fill the vacancy. If additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in accordance with cumulative voting so as to elect as many of the nominees listed below as possible. In such event, the proxy holders will determine the specific nominees for whom to vote.

4

The names of the nominees for election to the Board of Directors, and the experience and background of each, are set forth below.

NAME OF NOMINEE -----	AGE ---	PRINCIPAL OCCUPATION -----	DIRECTOR SINCE -----
Wilfred J. Corrigan.....	64	Chairman of the Board of Directors and Chief Executive Officer of the Company	1981
T.Z. Chu.....	68	Retired President of Hoefer Pharmacia Biotech, Inc.	1992
Malcolm R. Currie.....	75	Chief Executive Officer, Currie Technologies, Inc.	1992
James H. Keyes.....	61	Chairman and Chief Executive Officer, Johnson Controls, Inc.	1983
R. Douglas Norby.....	66	Vice President and Chief Financial Officer, Zambeel, Inc.	1993
Matthew J. O'Rourke.....	63	Consultant; Retired Partner, Price Waterhouse LLP	1999
Gregorio Reyes.....	61	Management Consultant; Former Chairman and Chief Executive Officer, Sunward Technologies, Inc.	2001
Larry W. Sonsini.....	61	Chairman and Chief Executive Officer, Wilson Sonsini Goodrich & Rosati, P.C.	2000

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There are no family relationships between or among any directors or executive officers of the Company.

Mr. Corrigan, a founder of the Company, has served as Chief Executive Officer and a director of the Company since the Company was founded in January 1981. Mr. Corrigan also serves on the boards of directors of several privately held corporations.

Mr. Chu served as President of Hoefer Pharmacia Biotech, Inc., a biotechnology company, from March 1995 until his retirement in February 1997.

Dr. Currie has served as Chief Executive Officer of Currie Technologies, Inc., a manufacturer of electric propulsion systems for bicycles and other light vehicles, since February 1997. He presently serves on the Board of Directors for Investment Company of America, ENOVA Systems, Inc., Regal One Corp., Inamed CNP, and Innovative Micro Technologies, and as a member (former Chairman) of the Board of Trustees of the University of Southern California.

Mr. Keyes has served as Chairman and Chief Executive Officer of Johnson Controls, Inc., an automotive systems and facility management and control company, since January 1993. Mr. Keyes also serves on the Boards of Directors of Pitney Bowes Inc. and the Chicago Federal Reserve Board.

Mr. Norby has served as Vice President and Chief Financial Officer of Zambeel, Inc., a storage company, since March 2002. He served as Chief Financial Officer of Novalux, Inc., an optoelectronics company, from December 2000 to March 2002. Prior to his tenure with Novalux, Mr. Norby served as Executive Vice President and Chief Financial Officer of the Company from November 1996 to November 2000.

Mr. O'Rourke was a partner with the accounting firm Price Waterhouse LLP from 1972 until his retirement in June 1996. Since his retirement, Mr. O'Rourke has been engaged as an independent business consultant. Mr. O'Rourke is also a member of the Board of Directors of Read-Rite Corporation and Infonet Services Corporation.

Mr. Reyes has been a private investor and management consultant since 1994. Mr. Reyes serves on the Board of Directors of ARC International (listed on the London Stock Exchange) and also serves as a director for several privately held companies.

5

Mr. Sonsini has been a partner of the law firm of Wilson Sonsini Goodrich & Rosati, P.C., since 1969 and has served as its Chairman and Chief Executive Officer for more than the past five years. Mr. Sonsini serves on the Board of Directors of the following public companies: Brocade Communications Systems, Inc., Commerce One, Inc., Echelon Corporation, Lattice Semiconductor Corporation, Novell, Inc., Simplex Solutions, Inc., Tibco Software, Inc. and PIXAR, Inc.

BOARD MEETINGS AND COMMITTEES

The Board of Directors of the Company held a total of ten regular and special meetings during the fiscal year ended December 31, 2001. The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating Committee. The Audit, Compensation and Nominating Committees consist solely of non-employee directors. The members and chairmanship of the committees are appointed by the Board of Directors annually.

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The Audit Committee, which consists of Dr. Currie (who serves as its chairman), Mr. Chu, Mr. Keyes and Mr. O'Rourke, held nine meetings during the last fiscal year. The Audit Committee reviews the Company's accounting policies and practices, internal controls, financial reporting practices, contingent risks and risk management strategies and plans. The Audit Committee recommends the selection of the Company's independent accountants to serve the following year to examine the Company's accounts, and reviews the independence of the independent accountants as a factor in making these recommendations. The Audit Committee meets alone with the Company's independent accountants and the director of the Company's Audit Department, and grants them free access to the Audit Committee at any time.

The Compensation Committee, which consists of Mr. Keyes (who serves as its chairman), Mr. Chu, Dr. Currie and Mr. O'Rourke, held three meetings during the last fiscal year. The Compensation Committee establishes the Company's overall executive compensation strategy, and, in particular, determines the compensation structure for the Chairman and Chief Executive Officer and other executive officers of the Company. The Committee approves any incentive, bonus or similar plans of the Company based upon the recommendations submitted by the Chairman and Chief Executive Officer and the Vice President of Human Resources. The Committee reviews and approves the Company's stock option and other stock incentive award programs and reviews as needed (with an independent consultant) executive compensation matters and significant issues that relate to executive compensation.

The Nominating Committee, which consists of Mr. Chu (who serves as its chairman), Dr. Currie and Mr. O'Rourke, held one meeting during the last fiscal year. The Nominating Committee provides assistance to the Board of Directors in identifying, screening and recommending qualified candidates to serve as directors of the Company. The Nominating Committee will consider nominees proposed by stockholders. Any recommendations should be directed to the Corporate Secretary at the Company's principal executive offices.

During the fiscal year ended December 31, 2001, all incumbent directors attended at least 75% of the aggregate number of meetings of the Board of Directors and meetings of the committees of the Board on which they served, except for Mr. Sonsini, who attended 56% and Mr. Chu, who attended 67% of the meetings of the Board of Directors. Mr. Sonsini recused himself from certain meetings relating to the Company's acquisition of C-Cube Microsystems Inc., due to a conflict of interest.

COMPENSATION OF DIRECTORS

Members of the Board of Directors who are not employees of the Company receive an annual fee of \$25,000 paid on a prorated basis and \$1,500 for each regular Board meeting they attend, plus reimbursement of expenses for attendance at regular Board and committee meetings. The Company's 1995 Director Stock Option Plan, as adopted by the Board of Directors and approved by the stockholders, provides for the grant of non-statutory stock options to non-employee directors of the Company. Under a non-discretionary formula approved by the stockholders, each non-employee director is granted an initial option to purchase 30,000 shares of common stock on the date on which he or she first becomes a director. In addition, on April 1 of each year, each non-employee director is automatically granted a subsequent option to purchase 25,000 shares of common stock of the Company, if on the date of grant he or she has served on the Board of Directors for at

6

least six months. The vesting schedule for initial options granted under the 1995 Director Stock Option Plan is set at 25% on each of the first four anniversaries of the grant date. Subsequent option grants become exercisable in

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full six months after the date of grant. Options may be exercised only while the optionee is a director of the Company, within 12 months after death or within three months after the optionee ceases to serve as a director of the Company, but in no event after the ten-year term of the option has expired. As of the Record Date, a total of 1,000,000 shares have been reserved for issuance under the 1995 Director Stock Option Plan, of which 520,000 shares are subject to outstanding options, 15,000 shares have been issued upon exercise of options, and 465,000 shares remain available for grant. During fiscal 2001, an option to purchase 25,000 shares was granted to each of Directors Chu, Currie, Keyes, Norby, O'Rourke and Sonsini having an exercise price of \$14.94 per share; and an option to purchase 30,000 shares was granted to Director Reyes, having an exercise price of \$23.14 per share.

REQUIRED VOTE

Directors shall be elected by a plurality vote. The eight nominees for director receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes against, votes withheld and broker non-votes have no legal effect on the election of directors due to the fact that such elections are by a plurality.

Every stockholder voting in the election of directors may cumulate such stockholder's votes and give one candidate a number of votes equal to the number of directors to be elected (eight) multiplied by the number of votes to which the stockholder's shares are entitled, or may distribute the stockholder's votes on the same principle among as many candidates as the stockholder thinks fit, provided that votes cannot be cast for more than eight candidates. However, no stockholder shall be entitled to cumulate votes for a candidate unless the candidate's name has been properly placed in nomination in accordance with the Company's Bylaws prior to the meeting, and the stockholder, or any other stockholder, has given notice at the meeting prior to the voting of the stockholder's intention to cumulate votes. The proxy holders will exercise discretionary authority to cumulate votes in the event that additional persons are nominated for election as directors.

BOARD RECOMMENDATION

YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSED SLATE OF DIRECTORS FOR THE CURRENT YEAR.

PROPOSAL TWO

AMENDMENT TO THE EMPLOYEE STOCK PURCHASE PLAN TO INCREASE THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER

GENERAL

The Amended and Restated Employee Stock Purchase Plan (the "ESPP") was adopted by the Board of Directors and approved by the stockholders in April 1983. A total of 225,000 shares of common stock were initially reserved for issuance thereunder. From time to time since April 1983, the Board of Directors and stockholders have approved amendments to the ESPP to increase the number of shares reserved for issuance thereunder, and to change certain other provisions. In addition, the Company effected a three-for-two stock split in 1986 and two-for-one common stock splits in 1995 and 2000. As of the Record Date, of the 50,314,110 shares reserved for issuance under the ESPP (without giving effect to this amendment), 40,419,231 shares had been issued. The Company estimates that it will have used a substantial portion of the 9,894,879 remaining available shares by the end of the exercise period ending May 14, 2002, leaving an inadequate number of shares available for issuance thereafter.

The Board of Directors believes that it is in the best interests of the

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Company and its stockholders to provide employees at all levels with an opportunity for equity participation through payroll deductions in the ESPP. The ESPP is an additional incentive to contribute to the success of the Company. Employees have

7

rated the ESPP as their most valuable benefit. As of the Record Date, approximately 76% of the eligible employees are participating in the ESPP.

PROPOSED AMENDMENT TO THE ESPP

On February 14, 2002, the Board of Directors approved an amendment to the ESPP to increase the number of shares reserved under the ESPP by 10,000,000 to a total of 60,314,110 shares.

The total number of shares of common stock reserved for issuance under the ESPP as of the Record Date is 50,314,110, of which 9,894,879 are available for future issuance. Management believes this may not be enough shares to meet anticipated demand, as the lower price of the Company's stock during the past year requires a greater number of shares to satisfy enrollment requirements. Therefore, stockholder approval is sought to increase the number of shares of common stock reserved for issuance under the ESPP by 10,000,000. If the proposed amendment is approved, the total number of shares of common stock reserved for issuance under the ESPP will be 60,314,110. The ESPP includes an annual replenishment (the "Annual Replenishment"), which was previously approved by the stockholders. The Annual Replenishment consists of 1.15% of the Company's common stock issued and outstanding at fiscal year end less the number of shares available for future option grants under the ESPP at fiscal year end. No shares were added to the ESPP under the Annual Replenishment in January 2002. The number of shares of common stock reserved for issuance under the ESPP, as amended by this proposal is anticipated to be sufficient to meet the Company's requirements for the next 12 months.

REQUIRED VOTE

The affirmative vote of a majority of the Votes Cast at the annual meeting will be required to approve PROPOSAL TWO.

SUMMARY OF THE ESPP

The essential features of the ESPP are outlined below.

Purpose

The purpose of the ESPP is to provide employees of the Company and of its majority-owned subsidiaries with an opportunity to purchase common stock of the Company at a discount through payroll deductions.

Administration

The ESPP is currently being administered by the Board of Directors, although that body may appoint a committee to perform that function. All questions of interpretation or application of the ESPP are determined in the sole discretion of the Board of Directors or its committee, and its decisions are final and binding upon all participants. Members of the Board of Directors who are eligible employees are permitted to participate in the ESPP but may not vote on any matter affecting the administration of the ESPP or the grant of any option pursuant to the ESPP. No member of the Board of Directors who is eligible to participate in the ESPP may be a member of any committee appointed to administer the ESPP. No charges for administrative or other costs may be made

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against the payroll deductions of a participant in the ESPP. Members of the Board of Directors receive no additional compensation for their services in connection with the administration of the ESPP.

Eligibility

Any person who is employed by the Company (or by any of its majority-owned subsidiaries designated by the Board) for at least 20 hours per week and more than five months in a calendar year is eligible to participate in the ESPP. As of the Record Date, approximately 4,830 employees were eligible to participate in the ESPP and approximately 3,692 of those were participating.

8

Offering Dates

The ESPP is currently implemented by consecutive overlapping 12-month offering periods. The offering periods begin May 15 and November 15 of each year. Each offering period is composed of two six-month purchase periods. The Board of Directors has the power to alter the duration of the offering periods without stockholder approval if such change is announced prior to the scheduled beginning of the first offering period to be affected.

Eligible employees become participants in the ESPP by delivering a subscription agreement to the Company authorizing payroll deductions. An employee who becomes eligible to participate in the ESPP after the commencement of an offering period may not participate in the ESPP until the commencement of the next offering period.

Purchase Price

The purchase price per share at which shares are purchased under the ESPP is the lower of (a) 85% of the fair market value of a share of Company common stock on the enrollment date for a 12-month offering period or (b) 85% of the fair market value of a share of common stock on the applicable purchase date within that offering period. If shares are to be added to the ESPP at a time when the fair market value of a share of common stock is higher than it was on the enrollment date, then the Board of Directors may, at its discretion, set the purchase price for the added shares at the lesser of 85% of the fair market value of a share of common stock on the date such shares are authorized by the stockholders or 85% of the fair market value of shares on the applicable purchase date within the offering period. The fair market value of the common stock on a given date is determined by the Board of Directors based upon the closing sales price as reported by The Wall Street Journal on such date.

Payment of Purchase Price; Payroll Deductions

ESPP shares are purchased with funds that are accumulated through payroll deductions during the offering period. The deductions may not exceed 15% of a participant's eligible compensation, which is defined in the ESPP to include the regular straight time salary as of each payday during the offering period, payments for overtime, shift premium, incentive compensation, incentive payments, bonuses and commissions, but exclusive of other compensation. A participant may decrease the rate of payroll deductions at any time in whole percentage point increments (but not below 1%), and such decreases are immediately effective. Increases in the rate of payroll deductions may be made only at the start of a purchase period.

All payroll deductions are credited to the participant's account under the ESPP; no interest accrues on the payroll deductions. All payroll deductions received or held by the Company may be used by the Company for any corporate

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purpose and such payroll deductions need not be segregated.

Purchase of Stock; Exercise of Option

At the beginning of each offering period, each participating employee is in effect granted an option to purchase shares of common stock. The maximum number of shares placed under option to a participant in an offering period is determined by dividing the participant's accumulated payroll deductions during the purchase period by 85% of the fair market value of the common stock at the beginning of the offering period or on the applicable purchase date, whichever is lower. However, the number of shares placed under option may not exceed 1,500 shares in each purchase period within offering periods commencing in the year 2001. Under no circumstances may an employee make aggregate purchases of stock of the Company and its majority-owned subsidiaries under the ESPP and any other employee stock purchase plans qualified as such under Section 423(b) of the Internal Revenue Code in excess of \$25,000 (determined using the fair market value of the shares at the time the option is granted) during any calendar year. Furthermore, no employee who owns 5% or more of the total combined voting power or value of all classes of shares of Company stock or the Company's subsidiaries' stock, including shares that may be purchased under the ESPP or pursuant to any other options, will be permitted to purchase shares under the ESPP.

9

Withdrawal

A participant may terminate his or her participation in the ESPP at any time at least 30 days prior to the purchase date by signing and delivering to the Company a notice of withdrawal from the ESPP. All of the participant's accumulated payroll deductions will be paid to the participant promptly after receipt of his or her notice of withdrawal and his or her participation in the current offering period will be automatically terminated. No resumption of payroll deductions will occur on behalf of such participant unless such participant re-enrolls in the ESPP by delivering a new subscription agreement to the Company during the applicable open enrollment period preceding the commencement of a subsequent offering period. A participant's withdrawal from the ESPP during an offering period does not have any effect upon such participant's eligibility to participate in subsequent offering periods under the ESPP.

Termination of Employment

Termination of a participant's employment for any reason, including retirement or death, cancels his or her participation in the ESPP immediately. In such event, the payroll deductions credited to the participant's account will be returned to such participant or, in the case of death, to the person or persons designated in the subscription agreement. In the case of death of the participant, the beneficiary may elect to have funds remain in the participant's account until the next purchase date and the shares purchased with the funds will be forwarded to the beneficiary. A participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an employee during the period in which the participant is subject to such payment in lieu of notice.

Capital Changes

If any change is made in the capitalization of the Company, such as stock splits or stock dividends, which results in an increase or decrease in the number of shares of common stock outstanding without receipt of consideration by the Company, appropriate adjustments will be made by the Company in the number

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of shares subject to purchase and in the purchase price per share, subject to any required action by the stockholders of the Company. In the event of the proposed dissolution or liquidation of the Company, the offering period then in progress will terminate immediately, unless otherwise provided by the Board. In the event of the proposed sale of all or substantially all of the assets of the Company or the merger of the Company with or into another corporation, each outstanding option shall be assumed or an equivalent option shall be substituted by the successor corporation, unless the Board determines, in its discretion, to accelerate the exercisability of all outstanding options under the ESPP. The Board may also make provisions for adjusting the number of shares subject to the ESPP and the purchase price per share if the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of the Company's outstanding common stock.

Amendment and Termination of the ESPP

The Board of Directors may at any time amend or terminate the ESPP. An offering period may be terminated by the Board of Directors on any purchase date if it determines that the termination of the offering period or the ESPP is in the best interests of the Company and its stockholders. No amendment may be made to the ESPP without prior approval of the stockholders of the Company where such approval is necessary to comply with Section 423 of the Internal Revenue Code (i.e., if such amendment would increase the number of shares reserved under the ESPP or modify the eligibility requirements).

Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board of Directors shall be entitled to change the duration of the offering periods, limit the frequency and/or number of changes in the amount withheld during an offering period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied

10

toward the purchase of common stock for each participant properly correspond with amounts withheld from the participant's compensation and establish such other limitations or procedures consistent with the ESPP as the Board of Directors determines in its sole discretion to be advisable.

In the event the Board of Directors determines that the ongoing operation of the ESPP may result in unfavorable financial accounting consequences, the Board of Directors may, in its discretion, modify or amend the ESPP to reduce or eliminate such accounting consequences, including, but not limited to, altering the purchase price for any offering period, including an offering period underway at the time of the change, shortening any offering period so that offering period ends on a new purchase date, including an offering period underway at the time, and allocating shares.

Certain United States Federal Income Tax Information

The ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Internal Revenue Code. Under these provisions, no income will be taxable to a participant at the time of grant of the option or purchase of shares.

However, participants should be aware that the Internal Revenue Service has issued proposed regulations that would require Social Security (FICA) and FUTA

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taxes to be withheld on the spread of the purchased ESPP shares on the date of purchase. Currently, these proposed regulations are slated to commence with purchases occurring on or after January 1, 2003. Upon disposition of the shares, the participant will generally be subject to tax and the amount of the tax will depend upon the length of time that the shares have been held. If the shares have been held by the participant for more than two years after the offering date and more than one year after the purchase date, the participant will recognize ordinary income equal to the lesser of: (a) the excess of the fair market value of the shares at the time of such disposition over the purchase price, or (b) an amount equal to 15% of the fair market value of the shares as of the applicable offering date. Any further gain will be treated as long-term capital gain. If the shares are disposed of before the expiration of these holding periods, the excess of the fair market value of the shares on the purchase date over the purchase price will generally be treated as ordinary income, and any further gain or any loss on such disposition will be long-term or short-term capital gain or loss, depending on how long the shares have been held from the date of purchase. Different rules may apply with respect to participants subject to Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company generally is not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant, except to the extent of ordinary income reported by participants upon disposition of shares prior to the expiration of the two holding periods described above.

The foregoing is only a summary of the effect of federal income taxation upon the participant and the Company with respect to the purchase of shares under the ESPP, is not intended to be complete, and does not discuss the income tax laws of any municipality, state or foreign country.

11

PARTICIPATION IN THE ESPP

Participation in the ESPP is voluntary and dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Accordingly, future purchases under the ESPP are not determinable. Non-employee directors are not eligible to participate in the ESPP. The following table sets forth certain information regarding shares purchased under the ESPP during the last fiscal year and the payroll deductions accumulated at the end of the last fiscal year in accounts under the ESPP for each of the Named Executive Officers, for all current executive officers as a group and for all other employees who participated in the ESPP as a group:

AMENDED PLAN BENEFITS EMPLOYEE STOCK PURCHASE PLAN

NAME OF INDIVIDUAL OR IDENTITY OF GROUP AND POSITION	NUMBER OF SHARES PURCHASED (#)	DOLLAR VALUE (\$) (1)	PAYROLL DEDUCTIONS AS OF FISCAL YEAR END
Wilfred J. Corrigan..... Chairman and Chief Executive Officer	0	N/A	N/A
Thomas Georgens..... Executive Vice President, SAN Systems	1,275	3,749	21,250
Bryon Look..... Executive Vice President and Chief Financial Officer	1,310	3,851	21,250

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W. Richard Marz.....	1,275	3,749	21,250
Executive Vice President, Communications and ASIC Technology			
Joseph M. Zelayeta.....	0	N/A	N/A
Executive Vice President, Worldwide Operations			
All current executive officers as a group.....	12,433	36,518	191,250
All other employees as a group...	2,566,606	7,471,754	41,513,748

(1) Market value of shares on date of purchase, minus the purchase price under the ESPP.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN. THE EFFECT OF AN ABSTENTION IS THE SAME AS THAT OF A VOTE AGAINST THE AMENDED AND RESTATED EMPLOYEE STOCK PURCHASE PLAN. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL VOTE "FOR" THE PROPOSAL.

PROPOSAL THREE

AMENDMENT TO THE 1991 EQUITY INCENTIVE PLAN TO INCREASE
THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER

GENERAL

The 1991 Equity Incentive Plan (the "EIP") was adopted by the Board of Directors and approved by the stockholders in May 1991, and a total of 2,000,000 shares of common stock were initially reserved for issuance thereunder. From time to time since May 1991, the Board of Directors and stockholders have approved

12

amendments to the EIP to increase the number of shares reserved for issuance thereunder. Additionally, two-for-one common stock splits were authorized in 1995 and 2000 respectively, resulting in an aggregate number of shares authorized under the EIP of 77,500,000.

As of the Record Date, 22,468,097 shares had been issued pursuant to the exercise of options granted under the EIP and options to purchase 36,408,059 shares were outstanding, leaving 18,623,844 shares available for future grants under the EIP.

PROPOSED AMENDMENT TO INCREASE SHARES RESERVED

Stockholder approval is hereby sought for an amendment approved by the Board of Directors on February 14, 2002, increasing the number of shares of common stock reserved for issuance under the EIP by 6,000,000 shares. If the proposed amendment is approved, the total aggregate number of shares of common stock reserved since the inception of the EIP for issuance under the EIP will be 83,500,000.

REQUIRED VOTE

The affirmative vote of a majority of the Votes Cast at the annual meeting

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will be required to approve PROPOSAL THREE.

SUMMARY OF THE 1991 EQUITY INCENTIVE PLAN

The essential features of the EIP are outlined below.

Purpose

The purpose of the EIP is to encourage equity ownership in the Company by eligible employees and consultants whose long-term employment is essential to the continued success of the Company, and to enable the Company to hire and retain the best available talent in a highly competitive market for the successful conduct of its business.

The Board of Directors believes that the continued growth of the Company will depend upon its ability to attract, hire and retain qualified managerial talent, including executive officers. A challenge of the Company is to ensure that these valued employees are appropriately rewarded and encouraged to stay with the Company during economic downturns, help it grow and increase shareholder value. Employers with whom the Company competes for such highly qualified individuals frequently offer grants of substantial numbers of stock options as part of a comprehensive compensation package. Accordingly, management believes that it must be in a position to offer a competitive stock option incentive program, such as the EIP, to attract the caliber of employees that the Company believes is necessary to achieve its objectives. The proposed amendment to the EIP is intended to provide a reasonable number of shares to meet these needs for the coming year.

Stock Options

The EIP initially permitted the granting of stock options that either are intended to qualify as Incentive Stock Options, or ISOs, and of stock options that are not intended to so qualify, known as Nonstatutory Stock Options or NSOs. However, with respect to shares previously approved by the shareholders, no ISOs may be granted under the EIP after March 8, 2001. If the stockholders approve the proposed amendment to the EIP, the Company will be permitted to grant ISOs with respect to the newly added shares.

The exercise price for each option may not be less than 100% of the fair market value of a share of common stock on the date such option is granted (or not less than 110% of such fair market value in the case of grants of ISOs to 10% stockholders). The exercise price of outstanding options may not be reduced without stockholder approval. No employee may be granted, in any fiscal year, options to purchase more than 1,500,000 shares.

The Board of Directors fixes the term of each option at the time of the grant, generally at ten years from the date of grant. (In the case of ISOs, the term may not exceed five years in the case of grants to a 10%

13

stockholder and ten years for others.) The Board of Directors also determines the vesting schedule for each option grant, which is generally 25% on each of the first four anniversaries of the date of grant.

The exercise price of options granted under the EIP, including applicable tax withholding, if any, must be paid in full at the time of exercise. The method of payment is determined by the Board of Directors or its designated committee administering the EIP and may consist of cash, check, promissory note, other shares of common stock, delivery of a properly executed exercise notice with irrevocable instructions to the optionee's broker to deliver to the Company

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the amount of sale proceeds required to pay the exercise price, any combination of the foregoing methods of payment or such other consideration and method of payment as is permitted under the Delaware General Corporation Law.

If an optionee's employment terminates for any reason, including retirement, his or her exercisable options may be exercised within the time period set forth in the option agreement, which is generally 90 days from the date of termination. If the Board of Directors or its designated committee determines that an employee was discharged for misconduct (as defined in the EIP), the employee has no further rights under the options granted to him or her or under the plan. If an optionee's employment is terminated by reason of the optionee's death or permanent total disability, the option will be exercisable for 12 months following the date of death or disability, subject to the stated term of the option. Options granted to consultants have such terms and conditions with respect to the effect of termination of the consulting relationship (including upon the death of the consultant) as the Board of Directors or its designated committee may determine in each case.

Eligibility

Any employee (including any officer) or consultant of the Company or of its majority-owned subsidiaries whom the Board of Directors deems to have the potential to contribute to the future success of the Company is eligible to receive NSO option grants under the EIP. Only employees of the Company or of its subsidiaries are eligible to receive ISO grants. As of December 31, 2001, the Company had 6,737 employees and approximately 65 consultants.

Adjustments for Recapitalizations and Reorganizations

In the event of a stock dividend, stock split, combination or similar event, the number of shares of common stock available for issuance under the EIP shall be increased or decreased proportionately, and the number of shares of common stock deliverable upon exercise, and, where applicable, the exercise price of each option, shall be proportionately adjusted. In the event of a merger, reorganization, liquidation or similar event, the Board of Directors may either provide for the assumption or substitution of outstanding options or provide that the options must be exercised within 30 days. In either case, the Board of Directors may provide for accelerated vesting of such options.

Administration

The EIP is administered by the Board of Directors or by a committee appointed by the Board of Directors in compliance with Rule 16b-3 promulgated under the Securities Exchange Act of 1934. If permitted by Rule 16b-3, the EIP may be administered by different bodies with respect to employees who are directors, non-director officers, employees who are neither directors nor officers, and consultants. A member of the Board of Directors who is an eligible employee is permitted to participate in the EIP but may not be a member of a committee appointed to administer it. Members of the Board of Directors receive no additional compensation for their services in connection with the administration of the EIP.

Amendment and Termination of the EIP

The Board of Directors may amend, alter, suspend or discontinue the EIP at any time, but such amendment, alteration, suspension or discontinuation may not impair the rights of any participant in the EIP without the participant's consent. In addition, no ISO may be granted under the EIP after March 8, 2001 with respect to shares previously approved by stockholders.

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In addition, to the extent necessary and desirable to comply with Section 422 of the Internal Revenue Code of 1986, as amended (or any other applicable law or regulation), the Company shall obtain stockholder approval of any EIP amendment, in such a manner and to such a degree as required to comply with such laws or regulations.

Certain United States Federal Income Tax Information

The following is only a brief summary of the effect of federal income taxation upon the participant and the Company under the EIP based upon the Internal Revenue Code. This summary is not intended to be complete and does not discuss the income tax laws of any municipality, state or country outside of the United States. It is advisable that a participant contact his or her own tax adviser concerning the application of tax laws.

If an option granted under the EIP qualifies as an ISO, the optionee will recognize no taxable income upon grant or exercise of the ISO unless the alternative minimum tax rules apply. However, the optionees should be aware that the Internal Revenue Service has issued proposed regulations that would require Social Security (FICA) and FUTA taxes to be withheld on the spread of ISOs on the date of exercise. Currently, these proposed regulations are slated to commence with exercises occurring on or after January 1, 2003.

Upon the resale or exchange of the shares, the optionee will generally be subject to tax and the amount of tax will depend on the length of time that the shares have been held. If the shares have been held by the optionee for at least two years after grant of the ISO and one year after exercise, any gain (or loss) will be taxed to the optionee as capital gain (or loss). If shares acquired upon the exercise of an ISO are disposed of before the expiration of these holding periods (called a "disqualifying disposition") the optionee will recognize ordinary income (or loss) in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at exercise (or, if less, the amount realized on the disposition of the shares) over the option exercise price paid for such shares. Any further gain or loss realized by the stockholder will be taxed as short-term or long-term capital gain (or loss), depending on how long the shares have been held from the date of exercise.

If an option designated as an ISO first becomes exercisable in any calendar year for shares in which the aggregate fair market value exceeds \$100,000, the exercise of such excess shares will be treated for income tax purposes as having been acquired pursuant to an NSO. For purposes of this rule, ISOs granted to an optionee by the Company are aggregated; the fair market value of an option share is its value on the date of grant of the option, and options are taken into account in the order in which they are granted.

All options that do not qualify as ISOs are taxed as NSOs. An optionee will not recognize any taxable income at the time he or she is granted an NSO. However, upon the exercise of an NSO, the optionee will generally recognize ordinary income for federal income tax purposes measured by the excess, if any, of the then fair market value of the shares over the exercise price. The ordinary income recognized upon exercise of an NSO by an optionee who is also an employee of the Company will be treated as wages for tax purposes and will be subject to tax withholding out of the current compensation, if any, paid to the optionee. Upon resale of such shares by the optionee, any difference between the sale price and fair market value on the date of exercise will be treated as capital gain (or loss).

The Company will be entitled to a tax deduction in the same amount as the ordinary income, if any, recognized by the optionee (i) upon exercise of an NSO and (ii) upon the sale of shares acquired by exercise of an ISO in a disqualifying disposition. The Company will not be allowed a deduction for federal income tax purposes as a result of the exercise of an ISO, regardless of

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the applicability of the alternative minimum tax.

15

PARTICIPATION IN THE 1991 EQUITY INCENTIVE PLAN

The grant of options under the 1991 Equity Incentive Plan to employees, including the Named Executive Officers, is subject to the discretion of the plan's administrator. As of the date of this proxy statement, there has been no determination by the administrator with respect to future awards under the 1991 Equity Incentive Plan. Accordingly, future awards are not determinable. Non-employee directors are not eligible to participate in the 1991 Equity Incentive Plan. The following table sets forth information with respect to the grant of options to the Named Executive Officers, to all current executive officers as a group and to all other employees as a group during the last fiscal year:

AMENDED PLAN BENEFITS 1991 EQUITY INCENTIVE PLAN

NAME OF INDIVIDUAL OR IDENTITY OF GROUP AND POSITION -----	SHARES UNDERLYING OPTIONS GRANTED (#) -----	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE (\$/SH.) -----
Wilfred J. Corrigan..... Chairman and Chief Executive Officer	1,500,000	14.94
Thomas Georgens..... Executive Vice President, SAN Systems	150,000	22.38
Bryon Look..... Executive Vice President, Chief Financial Officer	200,000	18.69
W. Richard Marz..... Executive Vice President, Communications & ASIC Technology	275,000	22.38
Joseph M. Zelayeta..... Executive Vice President, Worldwide Operations	300,000	22.38
All current executive officers as a group.....	3,550,000	18.79
All other employees as a group.....	3,390,000	21.96

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE AMENDMENT OF THE 1991 EQUITY INCENTIVE PLAN TO INCREASE THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL VOTE "FOR" THE PROPOSAL.

PROPOSAL FOUR

RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board has selected PricewaterhouseCoopers LLP, independent accountants, to audit the consolidated financial statements of the Company for its 2002 fiscal year and recommends that the stockholders vote for ratification of such appointment. If there is a negative vote on such ratification, the Board will reconsider its selection. PricewaterhouseCoopers LLP (or its predecessor) has audited the Company's consolidated financial statements since the fiscal year

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ended December 31, 1981. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting with the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

BOARD RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT ACCOUNTANTS FOR THE 2002 FISCAL YEAR. UNLESS YOU INDICATE OTHERWISE, YOUR PROXY WILL VOTE "FOR" THE PROPOSAL.

16

EXECUTIVE COMPENSATION

SUMMARY OF COMPENSATION

The following table shows, as to (i) the Chief Executive Officer and (ii) each of the four other most highly compensated executive officers who were serving as such at fiscal year end and whose salary plus bonus exceeded \$100,000 in 2001 (all persons listed in the table are collectively referred to as the "Named Executive Officers"), information concerning all reportable compensation awarded to, earned by or paid to each for services to the Company in all capacities during the fiscal year ended December 31, 2001, as well as such compensation for each such individual for the previous two fiscal years (if such person was an executive officer during any part of such previous fiscal year).

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	ALL OTHER COMPENSATION
		SALARY (\$) (1)	BONUS (\$)	AWARDS SECURITIES UNDERLYING OPTIONS (#) (2)	
Wilfred J. Corrigan.....	2001	793,858	0	1,500,000	5,544
Chairman and Chief Executive Officer	2000	848,478	1,200,000	0	5,544
	1999	787,897	1,400,000	1,000,000	7,686
Joseph M. Zelayeta.....	2001	383,082	0	300,000	3,612
Executive Vice President,	2000	409,618	300,000	200,000	1,932
Worldwide Operations	1999	381,086	500,000	300,000	2,982
Bryon Look(4).....	2001	323,090	0	200,000	1,260
Executive Vice President	2000	254,642	265,000	450,000	1,260
and Chief Financial Officer					
W. Richard Marz.....	2001	360,000	0	275,000	3,612
Executive Vice President	2000	386,156	300,000	75,000	3,612
Communications and ASIC Technology	1999	365,974	300,000	150,000	4,956
Thomas Georgens.....	2001	323,090	0	150,000	840
Executive Vice President SAN Systems	2000	319,048	325,000	250,000	840
	1999	239,242	250,000	250,000	1,134

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- (1) This amount reflects the full base salary until March 6, 2001, at which point all the Named Executive Officers took a voluntary 10% reduction in pay.
- (2) The Company has not granted any stock appreciation rights.
- (3) "All Other Compensation" for 2001 consists solely of group life insurance.
- (4) Mr. Look was named an executive officer of the Company in November 2000.

CHANGE-IN-CONTROL AND EMPLOYMENT AGREEMENTS

The Company entered into change-in-control agreements with each of the Named Executive Officers, except Mr. Corrigan, to ensure the continued services of management to the Company. Mr. Corrigan's employment agreement dated September 2001 supercedes his change-in-control agreement and is discussed in this proxy statement in the section entitled "CEO Employment Agreement," beginning on page 18 below.

For purposes of the change-in-control agreements made with the Named Executive Officers, benefits are payable only upon a change-in-control of the Company, which is deemed to have occurred in the event of (1) the consummation by the Company of a merger or consolidation of the Company with any other corporation, other than merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent more than 50% of the total voting power

17

represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; (2) the approval by the shareholders of the Company of a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; or (3) any person becoming the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities.

Under the change-in-control agreements, if the executive officer's employment is terminated involuntarily at any time within 12 months after a change of control, the executive officer will receive a lump sum payment equal to the sum of two years' base salary plus 200% of the executive officer's target bonus for the year in which the change of control occurs, and continued health-care benefits during the two years following the termination. In addition, the vesting and exercisability of all options that were granted at least six months prior to the change of control shall be automatically accelerated and fully vested and exercisable at the date of the involuntary termination. These agreements shall terminate in November 2003, unless a change of control occurs, in which case, the agreements shall terminate upon the date that all obligations of the parties have been satisfied.

CEO Employment Agreement

In September 2001, the Company entered into an employment agreement (the "Agreement") with Wilfred J. Corrigan, now age 64, the Company's Chairman of the Board and Chief Executive Officer ("CEO"). The Agreement provides for Mr. Corrigan to continue to serve as CEO and Chairman of the Company's Board of Directors, and further provides for an annual base salary as determined by the Board and an annual bonus based on performance goals determined by the Compensation Committee of the Board.

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If the Company terminates Mr. Corrigan's employment other than for cause, or his employment terminates as a result of death or disability, Mr. Corrigan will receive 36 months base salary, 300% of his target bonus for the immediate year, 24 months of health, dental and vision benefits, 18 months of life insurance benefits and vesting of unexpired options granted in November 1999, April 2001 and after September 2001. With respect to each such option, Mr. Corrigan will have the full term of each option to exercise the vested part of the option. An additional payment will be made to Mr. Corrigan in order to offset the effect of any federal excise taxes on payments made under the Agreement. If Mr. Corrigan voluntarily terminates his employment as CEO for any reason other than death or disability and the Company does not ask him to remain as the employee Chairman of the Board, Mr. Corrigan will receive all of the payments and benefits described above. If Mr. Corrigan voluntarily resigns for any reason other than death or disability and the Company asks Mr. Corrigan to remain as the employee Chairman of the Board and he agrees to do so, Mr. Corrigan will receive the payments and benefits describe above except for the accelerated option vesting. Instead, unexpired options from grants after September 2001 and two option grants made in November 1999 and April 2001 respectively, will be converted to a monthly vesting schedule such that all such options will vest within 36 months of the resignation date. If Mr. Corrigan is terminated for cause or if he voluntarily resigns and does not remain as the employee Chairman of the Board following a Company request to do so, he will not receive any of the payments or benefits described above and instead, will receive only salary and other benefits that accrued prior to his termination of employment or as may be required by law.

STOCK OPTION GRANTS AND EXERCISES

The following tables set forth information with respect to the stock options granted to the Named Executive Officers under the Company's stock option plans, the options exercised by such Named Executive Officers during the fiscal year ended December 31, 2001 and the options held by the Named Executive Officers at December 31, 2001.

The Option Grants Table sets forth hypothetical gains or "option spreads" for the options at the end of their respective ten-year terms, as calculated in accordance with the rules of the Securities and Exchange Commission. Each gain is based on an arbitrarily assumed annualized rate of compound appreciation of the market price of 5% or 10% from the date the option was granted to the end of the option term and does not

represent the Company's projection of future stock price performance. Actual gains, if any, on option exercises are dependent on the future performance of the Company's common stock and overall market conditions.

OPTION(1) GRANTS IN LAST FISCAL YEAR

NAME	INDIVIDUAL GRANTS				POTENTIAL R AT ASSUME OF ST APPR FOR OPT
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED IN FISCAL YEAR(#) (2)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (3)	EXERCISE PRICE (\$/SHARE)	EXPIRATION DATE	
-----	-----	-----	-----	-----	5% (\$)

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Wilfred J. Corrigan...	1,500,000	7.27	14.94	4/2/2011	14,093,529
Joseph M. Zelayeta....	300,000	1.45	22.38	2/15/2011	4,222,399
Bryon Look.....	200,000	0.97	18.69	11/15/2011	2,350,808
W. Richard Marz.....	200,000	0.97	22.38	2/15/2011	2,814,932
	75,000	0.36	22.37	8/16/2011	1,055,128
Thomas Georgens.....	150,000	0.73	22.38	2/15/2011	2,111,199

- (1) The Company has not granted any stock appreciation rights.
- (2) All options shown in the table were granted under the 1991 Equity Incentive Plan. The material terms of the options are: (a) The exercise price of the options is the fair market value of the common stock as of the date of grant; (b) The options vest cumulatively in equal 25% increments on each of the first four anniversaries of the date of grant; (c) To the extent unexercised, the options lapse after ten years; (d) The options are non-transferable and are only exercisable during the period of employment of the optionee (or within 90 days following termination of employment), subject to limited exceptions in the cases of certain terminations, death or permanent disability of the optionee. These options are subject to acceleration of exercisability in certain events. See "Change-in-Control and Employment Agreements" above.
- (3) Based on options granted to all employees in 2001 to purchase an aggregate of 20,634,655 shares.
- (4) These assumed rates of annual appreciation are specified by the Securities and Exchange Commission and do not represent the Company's estimate of future stock prices.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTIONS VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END (#)		VALUE (1) UNEXERCISED IN OPTIONS FISCAL YEAR
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE U
Wilfred J. Corrigan...	0	0	3,450,000	2,250,000	10,434,563
Joseph M. Zelayeta....	0	0	800,500	617,500	3,589,581
Bryon Look.....	0	0	325,000	615,000	416,941
W. Richard Marz.....	0	0	643,750	423,750	426,606
Thomas Georgens.....	0	0	225,000	487,500	342,500

- (1) Value of unexercised options is based on the difference between the fair market value of Company's common stock of \$15.78 per share as of December 31, 2001 (the last day of the last completed fiscal year) and the exercise price of the unexercised in-the-money options.

CERTAIN TRANSACTIONS

Mr. Larry W. Sonsini, a director of the Company, is Chairman and CEO of

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Wilson, Sonsini, Goodrich & Rosati, a professional corporation that performed legal services for the Company during 2001 and is expected to perform legal services for the Company in the future.

19

BOARD COMPENSATION COMMITTEE REPORT ON CEO AND OTHER EXECUTIVE OFFICER COMPENSATION FOR LSI LOGIC CORPORATION

OVERVIEW AND PHILOSOPHY

The Compensation Committee of the Board of Directors (the "Compensation Committee") establishes the overall executive compensation strategies of the Company and approves compensation elements for the chief executive officer and other executive officers. The Compensation Committee periodically reviews its approach to executive compensation.

The Compensation Committee is comprised of outside, non-employee members of the Board of Directors (four), none of whom has any interlocking relationships as defined by the Securities and Exchange Commission. The Compensation Committee has available to it such external compensation advice and data as the Committee deems appropriate to obtain.

The compensation philosophy of the Compensation Committee is to provide a comprehensive compensation package for each executive officer that is well suited to support accomplishment of the Company's business strategies, objectives and initiatives. For incentive-based compensation, the Committee considers the desirability of structuring such compensation arrangements so as to qualify for deductibility by the Company under Section 162(m) of the Internal Revenue Code, as amended. Options granted under the Company's option plan qualify as "performance-based" compensation that is not subject to the limitations on deductibility of certain executive compensation under Section 162(m). The Company's cash bonus plans do not qualify as "performance-based" compensation under Section 162(m). As the Compensation Committee applies this compensation philosophy in determining appropriate compensation levels and other compensation factors, the Compensation Committee reaches its decisions with a view towards the Company's overall financial performance.

EXECUTIVE OFFICER COMPENSATION

The Compensation Committee's approach is based upon a belief that a substantial portion of aggregate annual compensation for executive officers should be contingent upon the Company's performance and an individual's contribution to the Company's success. In addition, the Committee strives to align the interests of the Company's executive officers with the long-term interests of shareholders through stock option grants that can result in ownership of the Company's common stock. The Compensation Committee endeavors to structure each executive officer's overall compensation package to be consistent with this approach and to enable the Company to attract, retain and reward individuals who contribute to the success of the Company.

The Company's compensation program for executive officers is based on the following guidelines:

- Establishment of base salary levels and participation in generally available employee benefit programs based on competitive compensation package practices.
- Utilization of a performance-based, cash incentive plan.
- Inclusion of equity opportunities that create long-term incentives based

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upon increases in shareholder return.

The Company had a cash incentive plan during 2001 that provided for bonus awards to be made to the executive officers (other than the CEO) and other members of senior management subject to an aggregate budget for all awards under the plan. The plan established a minimum level of operating income to be achieved by the Company for the year 2001 before any payments would be made under the plan. The plan also allowed upward adjustments in awards to be made if the minimum operating income target was exceeded. In addition, the plan provides for the CEO to determine individual bonus award amounts pursuant to his judgment of each participant's personal contributions to the Company's performance for the year, subject to the approval of the Committee of awards to executive officers. The Company's operating income for 2001 fell short of the threshold performance established under the plan. Accordingly, no bonus awards were granted.

20

During 2001, the Compensation Committee did not provide for increases in the base salary levels of executive officers. Due to the economic recession, the chief executive officer and ten executive officers voluntarily imposed upon themselves a temporary ten percent cut in base salary effective March 6, 2001. In addition, with the assistance of a leading compensation consultant, the Company analyzed executive pay using compensation data from 25 selected high technology companies. The analysis confirmed that, assuming restoration of the voluntary ten percent pay cut, the base salaries for the executive officers are, on average, within competitive range of the Company's market target of the 60th percentile.

The Company maintains a set of guidelines for use in making recommendations to the Compensation Committee on individual grants to executive officers of options to purchase common stock of the Company. Stock option grants were made to executive officers during 2001 by reference to the guidelines. These guidelines are developed by reference to external published surveys and other information that are believed to fairly reflect the competitive environment in which the Company operates and that are consistent with the compensation principles set forth above.

CHIEF EXECUTIVE OFFICER COMPENSATION

Mr. Corrigan has been Chairman of the Board and Chief Executive Officer ("CEO") of the Company since its founding in 1981. His annual base salary prior to the beginning of fiscal 2001 was \$860,000. During 2001, the Committee considered information regarding competitive compensation practices and levels for chief executive officers, the above described approach to compensation for executive officers, the Company's performance during the economic downturn and the Committee's assessment of Mr. Corrigan's contribution to the Company's performance. Effective March 6, 2001, Mr. Corrigan voluntarily imposed upon himself a temporary ten percent cut in base salary, reducing his annual base salary to \$774,000. The base salary established by the Compensation Committee prior to the voluntary salary decrease for Mr. Corrigan falls in the median of the range of such information used for competitive comparisons.

During 2001, Mr. Corrigan was granted an option to purchase 1,500,000 shares of the Company's common stock. The Committee determined this portion of Mr. Corrigan's total compensation after consideration of the compensation principles set forth above. Also, the Committee considered external published survey data and other information sources that it believes fairly reflect competitive equity incentive practices for chief executive officers of publicly traded companies against which the Company's practices for the chief executive officer should be compared.

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In September 2001, the Company entered into an employment agreement (the "Agreement") with Mr. Corrigan. The Board of Directors determined that the Agreement is in the best interest of the Company and its stockholders in that it provides clarity with respect to the CEO's compensation, severance arrangements in the event of an employment termination, position in the event of a change of control of the Company and status with the Company for succession planning. A summary of the Agreement is set forth in the section on "CEO Employment Agreement" above.

MEMBERS OF THE COMPENSATION COMMITTEE

James H. Keyes, Chairman
T.Z. Chu
Malcolm R. Currie
Matthew J. O'Rourke

February 14, 2002

21

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors of LSI Logic Corporation ("Audit Committee") assists the Board in executing its responsibilities. The Audit Committee is responsible for, among other things, monitoring the integrity and adequacy of the Company's financial information, control systems, and reporting practices and for recommending to the Board for adoption by the stockholders the Audit Committee's selection of independent accountants for the Company.

The Audit Committee is composed of four non-employee members, each of whom is independent as defined by the New York Stock Exchange listing rules. The Company's independent accountants, PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), are responsible for expressing an opinion on the conformity of the Company's audited financial statements to generally accepted accounting principles. A copy of the Audit Committee Charter, which was first adopted by the Board of Directors on November 11, 1999, was attached to last year's Proxy Statement.

The Audit Committee has reviewed and discussed the audited financial statements with the Company's management. The Audit Committee has discussed with PricewaterhouseCoopers certain matters required under Statement on Auditing Standard No. 61 and has received written disclosures and the letter required by Independent Standards Board Standard No. 1 from the outside accountants and has discussed with them their independence.

Audit Fees: The aggregate fees for professional services rendered by PricewaterhouseCoopers in connection with its audit of the Company's consolidated financial statements as of and for the year ended December 31, 2001 and its limited reviews of the Company's unaudited condensed consolidated interim financial statements were \$1.0 million.

Financial Information Systems Design and Implementation Fees: During the year ended December 31, 2001, PricewaterhouseCoopers rendered no professional services to the Company in connection with the design and implementation of financial information systems as described in Paragraph (c)(4)(ii) of Rule 2-01 of Regulation S-X (17 CFR 210.2-01 (c)(4)(ii)).

All Other Fees: Aggregate fees billed for all other services rendered by PricewaterhouseCoopers, other than the services covered in the two previous

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paragraphs, for the year ended December 31, 2001 were \$1.53 million, primarily for the following professional services (in millions):

Audit-related services(1)	\$	0.5
Income tax compliance and related tax services	\$	1.0
Other(2)	\$	0.03

(1) Audit-related fees include fees for issuance of consents and comfort letters, audit and accounting assistance with respect to restructuring activities, leasing transactions and acquisitions during the year.

(2) Primarily consists of review of regulatory filings and other services.

The Audit Committee has considered whether the non-audit services provided by PricewaterhouseCoopers are compatible with maintaining the independence of PricewaterhouseCoopers and has concluded that the independence of PricewaterhouseCoopers is maintained and is not compromised by the services provided.

Based on the review and discussion referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, that the audited financial statements be included in the

22

Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, for filing with the Securities and Exchange Commission.

MEMBERS OF THE AUDIT COMMITTEE

Malcolm R. Currie, Chairman
T.Z. Chu
James H. Keyes
Matthew J. O'Rourke

March 8, 2002

23

PERFORMANCE GRAPH

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN AMONG LSI LOGIC CORPORATION*, S&P 500 INDEX AND THE PHILADELPHIA SEMICONDUCTOR INDEX

The stock price performance shown on the graph following is not necessarily indicative of future price performance.

[PERFORMANCE GRAPH]

	1996	1997	1998	1999	2000	2001
LSI Logic Corp.	100	73	60	252	128	118

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S&P 500(R) Philadelphia Semiconductor Index	100	133	171	208	189	166
	100	110	146	293	240	217

* During 1997, the Company changed its fiscal year to a straight calendar year from a 52/53 week fiscal year that ended on the Sunday closest to December 31. Prior to the change, the Company's last trading day of its fiscal year may have varied. For consistent presentation and comparison to the industry indices shown herein, the Company has calculated its stock performance graph assuming a December 31 year-end.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, officers and beneficial owners of more than 10% of the Company's common stock to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Based solely on its review of the copies of such reports received by it, or written representations from reporting persons, the Company believes that during the fiscal year ended December 31, 2001, its officers, directors and holders of more than 10% of the Company's common stock complied with all Section 16(a) filing requirements, except for the following: a Form 4 for Mr. Larry Sonsini, Director, reporting one transaction, was filed late, and a Form 4 for Mr. John D'Errico, Executive Vice President, Storage Components, reporting one transaction, was filed late.

24

OTHER MATTERS

The Company knows of no other matters to be submitted to the meeting. If any other matters properly come before the meeting, it is the intention of the persons named in the enclosed form of Proxy to vote the shares they represent as the Board of Directors may recommend. Under the Company's Bylaws, in order to be deemed properly presented, notice must be delivered to the Corporate Secretary of the Company at the principal executive offices of the Company no less than 60 days nor more than 90 days prior to the annual meeting; provided, however, if less than 65 days notice of the date of the annual meeting has been given to stockholders, notice by the stockholder to be timely must be delivered to the Company not later than the close of business on the seventh day following the day on which such notice of the annual meeting was mailed. The stockholder's notice must set forth, as to each proposed matter: (a) a reasonably detailed description of the business and reason for conducting such business at the meeting; (b) the name and address as they appear on the Company's books of the stockholder proposing such business, or the name of the beneficial holder or other party on whose behalf the proposal is made; (c) the class and number of shares of the Company owned by the stockholder or beneficial holder or other party on whose behalf the proposal is made; and (d) any material interest of the stockholder or beneficial holder or other party on whose behalf the proposal is made in such business.

THE BOARD OF DIRECTORS

March 29, 2002

25

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LSI LOGIC CORPORATION EMPLOYEE STOCK PURCHASE PLAN AMENDED AND RESTATED

The following constitutes the provisions of the Employee Stock Purchase Plan (the "Plan") of LSI Logic Corporation amended and restated effective March 31, 1999.

1. PURPOSE. The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company that the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. DEFINITIONS.

(a) "Board" means the Board of Directors of the Company, or to the extent authorized by the Board, a Committee of the Board.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" means the common stock of the Company.

(d) "Company" means LSI Logic Corporation and any Designated Subsidiary of the Company.

(e) "Compensation" means, for Offering Periods commencing prior to November 15, 2000, all regular straight time earnings, exclusive of payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions and other compensation. For Offering Periods commencing on or after November 15, 2000, "Compensation" shall mean all regular and recurring straight time earnings, payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions, but exclusive of other compensation.

(f) "Designated Subsidiary" means any Subsidiary which has been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(g) "Employee" means any individual who is an Employee of the Company for tax purposes whose customary employment with the Company is at least 20 hours per week and more than five months in a calendar year. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence approved in writing by the Company. Where the period of leave exceeds 90 days and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave. It shall not include any independent contractors providing services to the Company or its Subsidiaries, regardless of the length of such service.

1

(h) "Enrollment Date" means the first Trading Day of each Offering Period.

(i) "Exercise Date" means the last Trading Day of each Purchase Period.

(j) "Fair Market Value" means, as of any date, the value of the

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Common Stock determined as follows:

(1) If the Common Stock is listed on any established stock exchange or a national market system, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the last market trading day on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(2) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value shall be the mean of the closing bid and asked prices for the Common Stock on the date of such determination, as reported in The Wall Street Journal or such other source as the Board deems reliable; or

(3) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(k) "Offering Periods" means a period of approximately 12 months during which an option granted pursuant to the Plan may be exercised as further described in Section 4, except that the Offering Period that began October 1, 1998 will end on September 29, 2000 and an Offering Period shall commence on October 1, 2000 and end on November 14, 2000. The duration and timing of Offering Periods may be changed pursuant to Sections 4 and 20 of this Plan.

(l) "Plan" means this Amended and Restated Employee Stock Purchase Plan.

(m) "Purchase Period" means the approximately six-month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period will commence on the Enrollment Date and end with the next Exercise Date. Notwithstanding the foregoing, with respect to the Offering Period commencing upon October 1, 2000 and ending on November 14, 2000, "Purchase Period" shall be the same (approximately) six week period.

(n) "Purchase Price" means 85% of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided, however, that with respect to the Offering Periods commencing on or after January 1, 1999, unless otherwise directed by the Board, if the Fair Market Value of a share of Common Stock on the date on which additional shares of Common Stock (the "New Shares") are authorized for issuance hereunder by the Company's stockholders (the "Authorization Date") is higher than the Fair Market Value of a share of Common Stock on the Enrollment Date of any outstanding Offering Period that commenced prior to the Authorization Date, the Purchase Price for only New Shares to be issued on any remaining

2

Exercise Date of any Offering Period in effect on the Authorization Date shall be 85% of the Fair Market Value of a share of Common Stock on the Authorization Date or on the Exercise Date, whichever is lower. The Purchase Price may be adjusted by the Board pursuant to Section 20.

(o) "Reserves" means the number of shares of Common Stock covered by each option under the Plan which have not yet been exercised and the number of shares of Common Stock that have been authorized for issuance under the Plan but not yet placed under option.

(p) "Subsidiary" means any corporation, domestic or foreign, of which

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not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

(q) "Trading Day" means a day on which national stock exchanges and the Nasdaq System are open for trading.

3. ELIGIBILITY.

(a) Any Employee who is employed by the Company on a given Enrollment Date shall be eligible to participate in the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code.

(b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) to the extent that, immediately after the grant, such Employee (or any other person whose stock ownership would be attributed to such Employee pursuant to Section 424(d) of the Code) would own capital stock and/or hold outstanding options to purchase shares possessing five percent or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Subsidiary, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries accrue (i.e., become exercisable) at a rate which exceeds \$25,000 worth of stock (determined at the fair market value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time.

4. OFFERING PERIODS. The Plan shall be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after May 15 and November 15 each year, or on such other date as the Board shall determine, and continuing thereafter until terminated in accordance with Section 20 hereof, except as set forth in this Section 4. The first Offering Period of the Plan as amended and restated shall commence with the first Trading Day on or after May 15, 1999 and end on the last Trading Day on or before May 14, 2000. The Offering Period which began on October 1, 1998 will end on September 29, 2000 and an Offering Period shall commence on October 1, 2000 and end on November 14, 2000. The Board shall have the power to change the duration of Offering Periods (including the commencement dates thereof) with respect to future offerings without stockholder approval, if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter.

3

5. PARTICIPATION.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions in the form provided by the Company and filing it with the Company payroll office prior to the applicable Enrollment Date, unless a later time for filing the subscription agreement is set for all eligible Employees with respect to such Offering Period.

(b) Payroll deductions for a participant shall commence with the first payroll following the Enrollment Date and shall end on the last payroll in the Offering Period to which such authorization is applicable, unless sooner terminated by the participant as provided in Section 10.

6. PAYROLL DEDUCTIONS.

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(a) At the time a participant files his or her subscription agreement, he or she shall elect to have payroll deductions made on each payday during all subsequent Offering Periods commencing prior to November 15, 2000 in an amount not exceeding 10%, and during all Offering Periods commencing on or after November 15, 2000 in an amount not exceeding 15%, or such other rate as may be determined from time to time by the Board, expressed as a whole percent, of the Compensation which he or she receives on such payday during said Offering Period and the aggregate of such deduction during the Offering Period shall not exceed 10% or 15%, as applicable in accordance with the foregoing, of the aggregate Compensation during such Offering Period.

(b) All payroll deductions authorized by a participant shall be credited to his or her account under the Plan and shall be withheld in whole percentages only. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 10, or may decrease the rate of his or her payroll deductions (but not below 1%) effective immediately or may increase (but not above 10% and for Offering Periods commencing on or after November 15, 2000, not above 15%) the rate of his payroll deductions effective as of the first date of the next Purchase Period within such Offering Period by completing and filing with the Company a new subscription agreement authorizing a change in payroll deduction. The Board may, in its discretion, limit the number of participation rate changes during any Offering Period. The change in rate shall be effective as soon as administratively feasible following the Company's receipt of the new authorization. A participant's subscription agreement shall remain in effect for successive Offering Periods unless terminated as provided in Section 10.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) of the Plan, a participant's payroll deductions may be automatically decreased to zero percent at any time during a Purchase Period. Payroll deductions shall recommence at the rate provided in such participant's subscription agreement at the beginning of the first Purchase Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

4

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the participant must make adequate provision for the Company's federal, state or other tax withholding obligations, if any, which arise on the exercise of the option or the disposition of the Common Stock. At any time the Company may, but shall not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Employee.

7. GRANT OF OPTION. On each Enrollment Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of full shares of the Company's Common Stock determined by dividing such Employee's payroll deductions accumulated prior to such Exercise Date and retained in the Employee's account as of the Exercise Date by the applicable Purchase Price; provided that in no event shall an Employee be permitted to purchase more than 1,500 shares in each Purchase Period within Offering Periods commencing in the year 2001, provided further that such purchase shall be subject to the limitations set forth in Sections

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3(b) and 13. The Board may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of the Company's Common Stock an Employee may purchase during each Purchase Period of such Offering Period. Exercise of the option shall occur as provided in Section 8, unless the participant has withdrawn pursuant to Section 10. The option shall expire on the last day of the Offering Period.

8. EXERCISE OF OPTION.

(a) Unless a participant withdraws from the Offering Period as provided in Section 10, his or her option for the purchase of shares will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to option will be purchased at the applicable Purchase Price with the accumulated payroll deductions in his or her account. No fractional shares will be purchased. Any payroll deductions accumulated in a participant's account that are not sufficient to purchase a full share will be retained in the participant's account for the subsequent Purchase Period or Offering Period, subject to earlier withdrawal by the participant as provided in Section 10 or unless the Offering Period has been over-subscribed, in which event such amount shall be refunded to the participant. During his or her lifetime, a participant's option to purchase shares hereunder is exercisable only by the participant.

(b) If the Board determines that, on a given Exercise Date, the number of shares with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares available for sale under the Plan on such Exercise Date, the Board may in its sole discretion provide that the Company shall make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and (x) continue all Offering Periods then in effect, or (y) terminate any or all Offering

5

Periods then in effect pursuant to Section 20. The Company may make pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. DELIVERY. As promptly as practicable after each Exercise Date on which a purchase of shares occurs, the Company shall arrange for the shares purchased upon exercise of his or her option to be electronically credited to the participant's brokerage account at the securities brokerage firms designated by the Company for its direct deposit program from time to time.

10. WITHDRAWAL; TERMINATION OF EMPLOYMENT.

(a) A participant may withdraw all, but not less than all, the payroll deductions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by giving written notice to the Company on a form provided for such purpose. All of the participant's payroll deductions credited to his or her account will be paid to the participant as soon as practicable after receipt of the notice of withdrawal, his or her option for the current Offering Period will be automatically canceled, and no further payroll deductions for the purchase of shares will be made during such Offering

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Period. If a participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the succeeding Offering Period unless the participant delivers to the Company a new subscription agreement.

(b) A participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in a succeeding Offering Period which begins after the end of the Offering Period from which the participant withdraws or in any similar plan which may hereafter be adopted by the Company.

11. TERMINATION OF EMPLOYMENT. Upon a participant's ceasing to be an Employee for any reason, including retirement or death, he or she will be deemed to have elected to withdraw from the Plan and the payroll deductions accumulated in his or her account during the Offering Period but not yet used to exercise the option will be returned to him or her as soon as practicable after such termination or, in the case of death, to the person or persons entitled thereto under Section 15, and his or her option will be automatically terminated. The preceding sentence notwithstanding, a participant who receives payment in lieu of notice of termination of employment shall be treated as continuing to be an Employee for the participant's customary number of hours per week of employment during the period in which the participant is subject to such payment in lieu of notice. In the case of death of the participant, the payroll deductions credited to the participant's account will be paid to the person or persons entitled thereto under paragraph 15, and such participant's option will be automatically terminated, except that the beneficiary may elect to have funds remain in the participant's account until the next Exercise Date in which case the shares purchased with the funds in the participant's account at the time of death in accordance with paragraph 8 will be forwarded to the beneficiary.

12. INTEREST. No interest shall accrue on the payroll deductions of a participant in the Plan.

6

13. STOCK.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19, the maximum number of shares of the Company's Common Stock which shall be reserved for sale under the Plan shall be 60,314,110 shares, subject to stockholder approval at the 2002 Annual Meeting of Stockholders, plus an annual increase to be added as of the first day of each fiscal year by an amount equal to (x) 1.15% of the shares of the Company's Common Stock issued and outstanding on the last day of the immediately preceding fiscal year less (y) the number of shares available for future option grants under the Plan on the last day of the immediately preceding fiscal year, or a lesser amount determined by the Board, but not to exceed 3,000,000 shares (subject to any adjustment pursuant to Section 19) in any fiscal year.

(b) The participant will have no interest or voting rights in shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan shall be registered in the name of the participant or in the name of the participant and his or her spouse.

14. ADMINISTRATION. The Plan shall be administered by the Board or a committee of members of the Board appointed by the Board. The Board or its committee shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan. Every finding, decision and

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determination made by the Board or its committee shall, to the full extent permitted by law, be final and binding upon all parties.

15. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive shares and/or cash, if any, from the participant's account under the Plan in the event of such participant's death at a time when cash or shares are held for his or her account. If the participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant in the absence of a valid designation of a beneficiary who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant; or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may reasonably designate.

16. TRANSFERABILITY. Neither payroll deductions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of

7

descent and distribution, or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

17. USE OF FUNDS. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. REPORTS. Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees at least annually, and will set forth the amounts of payroll deductions, the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

19. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

(a) Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the maximum number of shares each participant may purchase each Purchase Period (under Section 7), as well as the price per share and the number of shares of Common Stock covered by each option under the Plan that has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive.

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Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to option.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Offering Period then in progress will be shortened by setting a new Exercise Date (the "New Exercise Date"), and shall terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless otherwise provided by the Board. The New Exercise Date shall be before the date of the Company's proposed dissolution or liquidation. The Company shall notify each participant in writing at least ten business days prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option shall be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10.

(c) Merger or Asset Sale. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by the successor corporation or a parent or Subsidiary of the successor corporation. If the successor corporation refuses to assume or substitute for the option, any Purchase Periods then in progress shall be

8

shortened by setting a new Exercise Date (the "New Exercise Date") and any Offering Periods then in progress shall end on the New Exercise Date. The New Exercise Date shall be before the date of the Company's proposed sale or merger. The Company shall notify each participant in writing prior to the New Exercise Date, that the Exercise Date for the participant's option has been changed to the New Exercise Date and that the participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the participant has withdrawn from the Offering Period as provided in Section 10.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

20. AMENDMENT OR TERMINATION.

(a) The Board of Directors of the Company may at any time and for any reason terminate or amend the Plan. Except as provided in Section 19, no such termination will affect options previously granted, provided that an Offering Period may be terminated by the Board on any Exercise Date if the Board determines that the termination of the Offering Period or the Plan is in the best interests of the Company and its stockholders. Except as provided in Section 19 and this Section 20, no amendment may make any change in any option theretofore granted which adversely affects the rights of any participant. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other applicable law, regulation or stock exchange rule), the Company shall obtain stockholder approval in such a manner and to such a degree as required.

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(b) Without stockholder consent and without regard to whether any participant rights may be considered to have been "adversely affected," the Board (or its committee) shall be entitled to change the Offering Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation and establish such other limitations or procedures as the Board determines in its sole discretion advisable which are consistent with the Plan.

(c) In the event the Board determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Board may, in its discretion and, to the extent necessary or desirable, modify or amend the Plan to reduce or eliminate such accounting consequence including, but not limited to:

9

(i) altering the Purchase Price for any Offering Period including an Offering Period underway at the time of the change in Purchase Price;

(ii) shortening any Offering Period so that the Offering Period ends on a new Exercise Date, including an Offering Period underway at the time of the Board action; and

(iii) allocating shares.

Such modifications or amendments shall not require stockholder approval or the consent of any Plan participants.

21. NOTICES. All notices or other communications by a participant to the Company in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof. Notices given by means of the Company's intranet (Planet) or similar system will be deemed to be written notices under the Plan.

22. CONDITIONS UPON ISSUANCE OF SHARES. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, if required by applicable securities laws, the Company may require the participant for whose account the option is being exercised to represent and warrant at the time of such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

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23. TERM OF PLAN. The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors of the Company or it is approved by the stockholders. It shall continue in effect for a term of 10 years unless sooner terminated under Section 20.

24. EMPLOYMENT RELATIONSHIP Nothing in the Plan shall be construed as creating a contract for employment for any period or shall interfere with or limit in any way the right of the Company or of any Subsidiary to terminate any participant's employment relationship at any time, with or without cause, nor confer upon any participant any right to continue in the employ of the Company or any Subsidiary.

10

LSI LOGIC CORPORATION 1991 EQUITY INCENTIVE PLAN AMENDED AND RESTATED

1. Purpose of the Plan. The purpose of the LSI Logic Corporation 1991 Equity Incentive Plan (the "Plan") is to enable LSI Logic Corporation (the "Company") to provide an incentive to eligible employees, including officers, and consultants whose present and potential contributions are important to the continued success of the Company, to afford them an opportunity to acquire a proprietary interest in the Company, and to enable the Company to enlist and retain in its employ the best available talent for the successful conduct of its business. It is intended that this purpose will be effected through the granting of stock options.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Award" means any Option granted.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" means the Internal Revenue Code of 1986, as amended.

(d) "Committee" means the Committee or Committees referred to in Section 5 of the Plan. If at any time no Committee shall be in office, then the functions of the Committee specified in the Plan shall be exercised by the Board.

(e) "Common Stock" means the Common Stock, \$0.01 par value (as adjusted from time to time), of the Company.

(f) "Company" means LSI Logic Corporation, a corporation organized under the laws of the state of Delaware, or any successor corporation.

(g) "Consultant" means any person, including an advisor, who is engaged by the Company or any Parent or Subsidiary to render services for its benefit and is compensated for such services, provided the term Consultant shall not include directors who are not compensated for their services or are paid only a director's fee by the Company.

(h) "Director" means a member of the Board.

(i) "Disability" means a disability, whether temporary or

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permanent, partial or total, as defined in Section 22(e)(3) of the Code.

1

(j) "Employee" means any person, including officers and directors, employed by the Company or any Subsidiary, provided the term Employee shall not include non-employee directors and the payment of directors' fees by the Company shall not be sufficient to constitute "employment" by the Company.

(k) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(l) "Fair Market Value" means, as of any date, the value of Common Stock determined as follows:

(i) if such Common Stock shall then be listed on a national securities exchange, the closing sales price (or the closing bid, if no sales were reported) as quoted on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or

(ii) the closing sales price (or the closing bid, if no sales were reported) as quoted on the NASDAQ National Market System, or

(iii) if such Common Stock shall not be quoted on such National Market System nor listed or admitted to trading on a national securities exchange, then the average of the closing bid and asked prices, as reported by The Wall Street Journal for the over-the-counter market, or

(iv) if none of the foregoing is applicable, then the Fair Market Value of a share of Common Stock shall be determined by the Board of Directors of the Company in its discretion.

(m) "Incentive Stock Option" means an Option intended to be and designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

(n) "Nonstatutory Stock Option" means any Option that is not an Incentive Stock Option.

(o) "Option" means any option to purchase shares of Common Stock granted pursuant to Section 7 below.

(p) "Optionee" means any holder of an Option.

(q) "Outside Director" means a Director who is not an Employee of the Company.

(r) "Plan" means this 1991 Equity Incentive Plan, as hereinafter amended from time to time.

2

(s) "Senior Management Employees" means Employees who are executive officers or vice presidents of the Company.

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(t) "Subsidiary" means a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or by a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or by a Subsidiary.

In addition, the terms "Tax Date" and "Insiders" shall have meanings set forth in Section 8.

3. Eligible Participants. Any Employee or Consultant of the Company or of a Subsidiary whom the Committee deems to have the potential to contribute to the future success of the Company shall be eligible to receive Awards under the Plan; provided, however, that any Options intended to qualify as Incentive Stock Options shall be granted only to Employees of the Company or its Subsidiaries.

4. Stock Subject to the Plan. Subject to Sections 9 and 10, the total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 83,500,000 shares subject to stockholder approval at the 2002 Annual Meeting of Stockholders (this number has been adjusted for various stock splits). Subject to Sections 9 and 10 below, if any shares of Common Stock that have been optioned under an Option cease to be subject to such Option Award granted hereunder are forfeited or repurchased or any such award otherwise terminates without a payment being made to the participant in the form of Common Stock, such shares shall again be available for distribution in connection with future Awards under the Plan.

5. Administration.

(a) Procedure. The Plan shall be administered by the Board or a Committee designated by the Board to administer the Plan, which Committee shall be constituted to permit the Plan to comply with Rule 16b-3 promulgated under the Exchange Act, or any successor rule thereto ("Rule 16b-3"). If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Employees who are Directors, Senior Management Employees, or Employees who are neither directors nor officers and Consultants.

Once appointed, a Committee shall continue to serve until otherwise directed by the Board. From time to time the Board may change the size of a Committee, appoint additional members thereof, remove members (with or without cause), appoint new members in substitution therefor, fill vacancies, however caused and remove all members of a Committee and thereafter directly administer the Plan, all to the extent permitted by Rule 16b-3. As used herein, except in Sections 10, 12 and

3

17, reference to Committee shall mean such Committee or the Board, whichever is then acting with respect to the Plan.

(b) Authority. Subject to the general purposes, terms, and conditions of the Plan, and to the direction of the Board, the Committee, if there be one, shall have full power to implement and carry out the Plan including, but not limited to, the following:

(i) to select the Employees and Consultants of the Company and/or its Subsidiaries to whom Options may from time to time be granted hereunder;

(ii) to determine whether and to what extent Options are to be granted hereunder;

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(iii) to determine the number of shares of Common Stock to be covered by each such Award granted hereunder;

(iv) to approve forms of agreement for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the share price and any restriction or limitation, or any vesting acceleration or waiver of forfeiture restrictions regarding any Option and/or the shares of Common Stock relating thereto, based in each case on such factors as the Committee shall determine, in its sole discretion);

(vi) to determine whether and under what circumstances an Option may be settled in cash instead of Common Stock;

(vii) to determine the form of payment that will be acceptable consideration for exercise of an Option granted under the Plan;

(viii) to determine whether, to what extent and under what circumstances Common Stock and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the participant (including providing for and determining the amount (if any) of any deemed earnings on any deferred amount during any deferral period);

Shareholder approval shall be required to reduce the exercise price of any Option. For grants of Incentive Stock Options only, any other material amendments to the Plan shall require shareholder approval. The Committee shall have the authority to construe and interpret the Plan, to prescribe, amend and rescind rules and

4

regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan.

6. Duration of the Plan. The Plan shall remain in effect until terminated by the Board under the terms of the Plan, provided that in no event may Incentive Stock Options be granted under the Plan later than March 8, 2001, ten years from the date the Plan was adopted by the Board.

7. Stock Options. The Committee, in its discretion, may grant Options to eligible participants and shall determine whether such Options shall be Incentive Stock Options or Nonstatutory Stock Options. Each Option shall be evidenced by a written Option agreement which shall expressly identify the Option as an Incentive Stock Option or as a Nonstatutory Stock Option, and shall be in such form and contain such provisions as the Committee shall from time to time deem appropriate. Option agreements shall contain the following terms and conditions:

(a) Option Price; Number of Shares. The Option price, which shall be approved by the Committee, may not be less than the Fair Market Value of the Common Stock at the time the Option is granted.

The Option agreement shall specify the number of shares of Common Stock to which it pertains.

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(b) Waiting Period until Option Vesting and Exercise Dates. At the time an Option is granted, the Committee will determine the terms and conditions to be satisfied before shares may be purchased, including the dates on which the right to purchase shares subject to the Option will vest and such shares may first be purchased. The Committee may specify that an Option may not be exercised until the completion of the waiting period specified at the time of grant. (Any such period is referred to herein as the "Initial Vesting Period.") At the time an Option is granted, the Committee shall fix the period within which such Option may be exercised, which shall not be less than the Initial Vesting Period, if any, nor, in the case of an Incentive Stock Option, more than 10 years from the date of grant.

(c) Form of Payment. The consideration to be paid for the shares of Common Stock to be issued upon exercise of an Option, including the method of payment, shall be determined by the Committee (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may consist entirely of (i) cash, (ii) check, (iii) promissory note, (iv) other shares of Common Stock which (x) either have been owned by the Optionee for more than six months on the date of surrender or were not acquired, directly or indirectly, from the Company, and (y) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the shares as to which said Option shall be exercised, (v) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price, (vi) delivery of an

5

irrevocable subscription agreement for the shares which obligates the option holder to take and pay for the shares not more than 12 months after the date of delivery of the subscription agreement, (vii) any combination of the foregoing methods of payment, or (viii) such other consideration and method of payment for the issuance of shares to the extent permitted under the Delaware General Corporation Law.

(d) Effect of Termination of Employment or Death or Disability of Employee Participants.

(i) Termination of Employment in General. In the event that an Optionee during his or her lifetime ceases to be an Employee of the Company or of any Subsidiary for any reason, other than misconduct of the Optionee, including retirement, any Option, including any unexercised portion thereof, which was otherwise exercisable on the date of termination of employment, shall expire in accordance with the following provisions:

(A) Nonstatutory Stock Options shall expire unless exercised within such time period as is determined by the Committee; which shall be ninety (90) days from the date the Optionee ceases to be an Employee unless the Committee has specified another time period prior to the expiration of such ninety (90) day period; and

(B) Incentive Stock Options shall expire unless exercised within a period of ninety (90) days from the date on which the Optionee ceased to be an Employee (or such lesser period as is set out in Option agreement),

Notwithstanding the foregoing, the period of exercisability provided for above, as applicable shall in no event continue after the expiration of the term of such Option as set forth in the Option

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agreement.

(ii) Misconduct: If in any case the Committee shall determine that an Employee or Consultant shall have been discharged due to the Employee's or Consultant's misconduct (as defined below) such Employee or Consultant, as the case may be, shall not thereafter have any rights under the Plan or any Option that shall have been granted to him or her under the Plan. For purposes of the Plan, "misconduct" means conduct for which the Company's determines to terminate the employment of an Employee or to terminate any Consultant's arrangements with the Company that constitutes (i) willful breach or neglect of duty; (ii) failure or refusal to work or to comply with the Company's rules, policies, and practices; (iii) dishonesty; (iv) insubordination; (v) being under the influence of drugs (except to the extent medically prescribed) or alcohol while on duty or on Company premises; (vi) conduct endangering, or likely to endanger, the health or safety of another Employee, any other person or the property of the Company; or (vii) conviction of a felony.

6

(iii) Termination of Employment due to Disability or Death. In the event of the death or permanent, total Disability of an Optionee during the period of employment, that portion of the Option which had become exercisable as of the date of death or permanent, total Disability shall be exercisable by the employee or his or her personal representatives, heirs, or legatees within 12 months of the date of death or permanent, total Disability or such time period as is determined by the Committee (but in the case of an Incentive Stock Option, in no event no more than 12 months after the date of death or permanent, total Disability or after the expiration of the term of such Option as set forth in the Option agreement.) In the event of the death of an Optionee within three months after termination of employment, that portion of the Option which had become exercisable as of the date of termination shall be exercisable by his or her personal representatives, heirs, or legatees within six months of the date of death or such time period as is determined by the Committee (but in the case of an Incentive Stock Option, in no event after the expiration of the term of such Option as set forth in the Option agreement.) In the event that an Optionee ceases to be an Employee of the Company or of any Subsidiary for any reason, including death, Disability or retirement, prior to the lapse of the Initial Vesting Period, if any, his or her Option shall terminate and be null and void to the extent the requirement for such Initial Vesting Period has not been satisfied.

(e) Leave of Absence. The employment relationship shall not be considered interrupted in the case of: (i) sick leave, military leave or any other leave of absence approved by the Board; provided that any such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract, statute or pursuant to formal policy adopted from time to time by the Company and issued and promulgated to Employees in writing, or (ii) in the case of transfer between locations of the Company or between the Company, its Subsidiaries or its successor. In the case of any Employee on an approved leave of absence, the Committee may make such provisions respecting suspension of vesting of the Option while on leave from the employ of the Company or a Subsidiary as it may deem appropriate, if any, except that in no event shall an Option be exercised after the expiration of the term set forth in the Option agreement.

(f) Acceleration of Vesting or Initial Vesting Period. The Committee may accelerate the earliest date on which outstanding Options (or any installments thereof) are exercisable.

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(g) Special Incentive Stock Option Provisions. In addition to the foregoing, Options granted to Employees under the Plan which are intended to be Incentive Stock Options under Section 422 of the Code shall be subject to the following terms and conditions:

(i) Dollar Limitation. To the extent that the aggregate Fair Market Value of the shares of Common Stock with respect to which Options designated as Incentive Stock Options become exercisable for the first time by

7

any individual during any calendar year (under all plans of the Company) exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options. For purposes of the preceding sentence, (i) Options shall be taken into account in the order in which they were granted and (ii) the Fair Market Value of the shares shall be determined as of the time the Option with respect to such shares was granted.

(ii) 10% Stockholder. If any person to whom an Incentive Stock Option is to be granted pursuant to the provisions of the Plan is, on the date of grant, the owner of Common Stock (as determined under Section 425(d) of the Code) possessing more than 10% of the total combined voting power of all classes of stock of the Company or of any Subsidiary, then the following special provisions shall be applicable to the Option granted to such individual:

(A) The Option price per share of the Common Stock subject to such Incentive Stock Option shall not be less than 110% of the Fair Market Value of the Common Stock on the date of grant; and

(B) The Option shall not have a term in excess of five years from the date of grant.

Except as modified by the preceding provisions of this Subsection 7(g) and except as otherwise required by Section 422 of the Code, all of the provisions of the Plan shall be applicable to the Incentive Stock Options granted hereunder.

(h) Other Provisions. Each Option granted under the Plan may contain such other terms, provisions, and conditions not inconsistent with the Plan as may be determined by the Committee.

(i) Options to Consultants. Except as set forth in Section 7(d)(ii), Options granted to Consultants shall not be subject to Section 7(d) of the Plan, but shall have such terms and conditions pertaining to the Initial Vesting Period (if any), exercise date, and effect of termination of the consulting relationship as the Committee shall determine in each case. Unless otherwise stated, termination of the consulting relationship shall be deemed to have occurred at the completion of the consulting project for which Consultant was engaged at the time of the grant or termination of the Consulting Agreement, if earlier.

(j) Buyout Provisions. The Committee may at any time offer to buy out for a payment in cash or Common Stock, an Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Optionee at the time that such offer is made.

(k) Rule 16b-3. Options granted to persons subject to Section

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16(b) of the Exchange Act must comply with Rule 16b-3 and shall be deemed to contain such

8

additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(1) Limits. The following limitations shall apply to grants of Options to employees:

(i) No employee shall be granted, in any fiscal year of the Company, Options to purchase more than 1,500,000 Shares.

(ii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization or organization as described in Sections 9 and 10.

(iii) If an Option grant made under the Plan is canceled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 9 or Section 10), the canceled Option grant will be counted against the limit set forth in Section 7(1)(i), above. For this purpose, if the exercise price of an Option grant is reduced, the transaction will be treated as a cancellation of the Option grant and the grant of a new Option.

8. Withholding Taxes; Stock Withholding to Satisfy Withholding Tax Obligations. Whenever, under the Plan, shares are to be issued in satisfaction of Options granted hereunder, the Company shall have the right to require the recipient to remit to the Company an amount sufficient to satisfy federal, state, and local withholding tax requirements prior to the delivery of any certificate or certificates for such shares. Whenever, under the Plan, payments are to be made in cash, such payment shall be net of an amount sufficient to satisfy federal, state, and local withholding tax requirements.

When a participant incurs tax liability in connection with the exercise or vesting of any Option, which tax liability is subject to tax withholding under applicable tax laws, and the participant is obligated to pay the Company an amount required to be withheld under applicable tax laws, the participant may satisfy the withholding tax obligation by electing to have the Company withhold from the shares to be issued that number of shares having a Fair Market Value equal to the amount required to be withheld determined on the date that the amount of tax to be withheld is to be determined (the "Tax Date").

All elections by participant to have shares withheld for this purpose shall be made in writing in a form acceptable to the Committee and shall be subject to the following restrictions:

9

(i) the election must be made on or prior to the applicable Tax Date;

(ii) once made, the election shall be irrevocable as to

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the particular shares as to which the election is made;

(iii) all elections shall be subject to the disapproval of the Committee; and

(iv) if the participant is an officer or Director of the Company or other person whose transactions in Common Stock are subject to Section 16(b) of the Exchange Act (collectively "Insiders"), the election may not be made during such time or times, if any, as are restricted by Rule 16b-3 or any successor provision.

9. Recapitalization. In the event that dividends are payable in Common Stock or in the event there are splits, subdivisions, or combinations of shares of Common Stock, the number of shares available under the Plan shall be increased or decreased proportionately, as the case may be, and the number of shares of Common Stock deliverable in connection with any Option theretofore granted shall be increased or decreased proportionately, as the case may be, without change in the aggregate purchase price (where applicable).

10. Reorganization. In case the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or in case the property or stock of the Company is acquired by another corporation, or in case of separation, reorganization, or liquidation of the Company, then the Board, or the board of directors of any corporation assuming the obligations of the Company hereunder, shall, as to outstanding Options either (a) make appropriate provision for the protection of any such outstanding Options by the assumption or substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated, or otherwise reorganized corporation which will be issuable in respect to the shares of Common Stock, provided that in the case of Incentive Stock Options, such assumption or substitution comply with Section 424 of the Code, or (b) upon written notice to the participant, provide that the Option must be exercised within 30 days of the date of such notice or it will be terminated. In any such case, the Board or the Committee may, in its discretion, advance the lapse of vesting periods, Initial Vesting Periods, and exercise dates.

11. Employment Relationship. Nothing in the Plan or any Award made hereunder shall be construed as a contract for employment or consulting for any period or shall interfere with or limit in any way the right of the Company or of any Subsidiary to terminate any recipient's employment or consulting relationship at any time, with or without cause, nor confer upon any recipient any right to continue in the employ or service of the Company or any Subsidiary.

10

12. General Restriction. Each Award shall be subject to the requirement that, if, at any time, the Board shall determine, in its discretion, that the listing, registration, or qualification of the shares subject to such Award upon any securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, such Award or the issue or purchase of shares thereunder, such Award may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Board.

13. Rights as a Stockholder. The holder of an Option shall have no rights as a stockholder with respect to any shares covered by the Option until the date of exercise. Once an Option is exercised by the holder thereof, the participant shall have the rights equivalent to those of a stockholder, and

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shall be a stockholder when his or her holding is entered upon the records of the duly authorized transfer agent of the Company. Except as otherwise expressly provided in the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

14. Nonassignability of Awards. Awards made hereunder shall not be assignable or transferable by the recipient in accordance with their terms, except to the extent permitted by the tax and securities laws, including by will or by the laws of descent and distribution, and as otherwise consistent with the specific Plan provisions relating thereto.

15. Nonexclusivity of the Plan. Neither the adoption of the Plan by the Board, the submission of the Plan to the stockholders of the Company for approval, nor any provision of the Plan shall be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under the Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

16. Amendment, Suspension, or Termination of the Plan. The Board may at any time amend, alter, suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any participant in the Plan without his or her consent. Further, no amendment shall be made without the approval of the Company's stockholders that would materially increase benefits accruing to participants under the Plan, increase the aggregate number of securities to be issued under the Plan or modify the eligibility requirements for participants in the Plan. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act or under Section 423 of the Code (or any other applicable law or regulation), the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required.

11

17. Effective Date of the Plan. The Amended and Restated Plan is effective upon adoption by the Board and shall be subject to stockholder approval within 12 months of adoption by the Board. Options may be granted and exercised under the Plan only after there has been compliance with all applicable federal and state securities laws.

12

THIS PROXY IS SOLICITED ON BEHALF OF THE
BOARD OF DIRECTORS

LSI LOGIC CORPORATION

2002 ANNUAL MEETING OF STOCKHOLDERS

The undersigned stockholder of LSI Logic Corporation, a Delaware corporation, hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated March 29, 2002, and hereby appoints Wilfred J. Corrigan and David G. Pursel, or either of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at the 2002 Annual Meeting of

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Stockholders of LSI Logic Corporation to be held on May 2, 2002, at 10:00 a.m., local time, at the Company's facility located at 1621 Barber Lane, Milpitas, CA 95035 and at any adjournment(s) thereof, and to vote all shares of Common Stock that the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE SEE REVERSE SIDE

[X] Please mark votes as in this example.

THIS PROXY WILL BE VOTED AS DIRECTED OR IF NO CONTRARY DIRECTION IS INDICATED, WILL BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR PROPOSALS 2, 3, AND 4, AND AS SAID PROXIES DEEM ADVISABLE ON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING.

1. Election of Directors

NOMINEES: Wilfred J. Corrigan; James H. Keyes; Malcolm R. Currie; T.Z. Chu; R. Douglas Norby; Matthew J. O'Rourke; Gregorio Reyes; Larry W. Sonsini

FOR	WITHHELD
[]	[]

[] _____
For all nominees except those listed on the line above

Signature: _____ Date: _____

FOR AGAINST ABSTAIN

- | | | | |
|--|-----|-----|-----|
| 2. Approval of amendment to the Amended and Restated Employee Stock Purchase Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 10,000,000. | [] | [] | [] |
| 3. Approval of amendment to the 1991 Equity Incentive Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 6,000,000. | [] | [] | [] |
| 4. Ratification of the appointment of Pricewaterhouse-Coopers LLP as independent accountants for its 2002 fiscal year. | [] | [] | [] |
| 5. In the proxies' discretion on such other matters as may properly come before the meeting. | [] | [] | [] |

MARK HERE FOR ADDRESS CHANGE AND NOTE AT LEFT []

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

Signature: _____ Date: _____

