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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 2, 2016
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____________ to ____________

Commission File Number 0-14864

LINEAR TECHNOLOGY CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**94-2778785**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1630 McCarthy Boulevard, Milpitas, California	**95035**
(Address of principal executive offices)	(Zip Code)

(408) 432-1900
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒	Accelerated filer ☐
Non-accelerated filer (Do not check if a smaller reporting company) ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Shares outstanding of the registrant’s common stock:

Class	Outstanding at October 28, 2016
Common Stock, $0.001 par value per share	240,357,860 shares

LINEAR TECHNOLOGY CORPORATION
QUARTERLY REPORT ON FORM 10-Q

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LINEAR TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	October 2, 2016	September 27, 2015
Revenues	$ 373,895	$ 341,917
Cost of sales (1) (2)	91,826	85,205
Gross profit	282,069	256,712
Operating expenses		
Research and development (1) (2)	76,359	66,602
Selling, general and administrative (1) (2)	56,409	40,193
Total operating expenses	132,768	106,795
Operating income	149,301	149,917
Interest income and other income	2,173	987
Income before income taxes	151,474	150,904
Provision for income taxes	36,352	38,857
Net income	$ 115,122	$ 112,047
Basic earnings per share	$ 0.47	$ 0.46
Shares used in the calculation of basic earnings per share	245,271	244,863
Diluted earnings per share	$ 0.47	$ 0.46
Shares used in the calculation of diluted earnings per share	245,709	245,234
Cash dividends per share	$ 0.32	$ 0.30
Includes the following non-cash charges:		
(1) Stock-based compensation		
Cost of sales	$ 2,547	$ 2,342
Research and development	11,868	10,922
Selling, general and administrative	6,129	5,638
Includes the following pre-tax impact of items:		
(2) Merger-related charges		
Cost of sales	$ 2,000	$ —
Research and development	5,000	—
Selling, general and administrative	12,794	—

See accompanying notes

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Three Months Ended	
	October 2, 2016	September 27, 2015
Net income	$ 115,122	$ 112,047
Other comprehensive income, net of tax:		
Net changes in unrealized (losses) gains on available-for-sale securities	(615)	438
Total comprehensive income	$ 114,507	$ 112,485

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

(unaudited)

As of	October 2, 2016	July 3, 2016
Assets		
Cash and cash equivalents	$ 217,135	$ 263,682
Marketable securities	1,304,011	1,184,593
Accounts receivable, net of allowances ($1,649 as of October 2, 2016) and ($1,649 as of July 3, 2016)	162,434	157,460
Inventories:		
Raw materials	11,191	9,915
Work-in-process	65,867	66,172
Finished goods	21,015	21,164
Total inventories	98,073	97,251
Prepaid expenses and other current assets	53,337	51,744
Total current assets	1,834,990	1,754,730
Property, plant and equipment, at cost:		
Land	28,834	28,834
Buildings and improvements	264,658	264,484
Manufacturing and test equipment	756,982	753,916
Office furniture and equipment	7,725	7,285
Gross property, plant and equipment	1,058,199	1,054,519
Accumulated depreciation and amortization	(776,628)	(768,653)
Net property, plant and equipment	281,571	285,866
Identified intangible assets, net and goodwill	8,835	9,385
Total noncurrent assets	290,406	295,251
Total assets	$ 2,125,396	$ 2,049,981
Liabilities and stockholders' equity		
Accounts payable	$ 17,019	$ 17,465
Accrued payroll and related benefits	85,334	93,187
Deferred income on shipments to distributors	48,759	48,701
Income taxes payable	36,488	3,342
Other accrued liabilities	16,706	17,271
Total current liabilities	204,306	179,966
Deferred tax liabilities	68,129	68,388
Other long-term liabilities	44,360	42,452
Total liabilities	316,795	290,806
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value, 2,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.001 par value, 2,000,000 shares authorized; 240,006 shares issued and outstanding (239,654 as of July 3, 2016)	240	240
Additional paid-in capital	2,159,624	2,136,910
Accumulated other comprehensive income, net of tax	620	1,235
Accumulated deficit	(351,883)	(379,210)
Total stockholders' equity	1,808,601	1,759,175
Total liabilities and stockholders' equity	$ 2,125,396	$ 2,049,981

See accompanying notes

LINEAR TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Three Months Ended	
	October 2, 2016	September 27, 2015
Cash flow from operating activities:		
Net income	$ 115,122	$ 112,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,176	13,248
Stock-based compensation	20,544	18,902
Excess tax benefit from stock-based compensation	(3,783)	(1,627)
Change in operating assets and liabilities:		
Accounts receivable	(4,974)	25,592
Inventories	(822)	3,723
Prepaid expenses, other current assets and deferred tax assets	(4,548)	(2,572)
Accounts payable, accrued payroll, other accrued liabilities and noncurrent liabilities	(8,700)	(31,886)
Deferred income on shipments to distributors	58	368
Income taxes payable	41,704	37,947
Cash provided by operating activities	167,777	175,742
Cash flow from investing activities:		
Purchase of marketable securities	(406,696)	(294,496)
Proceeds from sale and maturities of available-for-sale securities	286,329	274,692
Purchase of property, plant and equipment	(8,332)	(10,160)
Cash used in investing activities	(128,699)	(29,964)
Cash flow from financing activities:		
Excess tax benefit from stock-based compensation	3,783	1,627
Issuance of common stock under employee stock plans	—	4,253
Purchase of common stock	(10,800)	(56,557)
Payment of cash dividends	(78,608)	(73,312)
Cash used in financing activities	(85,625)	(123,989)
(Decrease) increase in cash and cash equivalents	(46,547)	21,789
Cash and cash equivalents, beginning of year	263,682	195,679
Cash and cash equivalents, end of period	$ 217,135	$ 217,468

See accompanying notes

1. Description of Business and Significant Accounting Policies

Description of Business

Linear Technology Corporation (together with its consolidated subsidiaries, “Linear,” “Linear Technology” or the “Company”), a member of the S&P 500, has been designing, manufacturing and marketing a broad line of high performance analog integrated circuits for major companies worldwide for over three decades. The Company’s products provide an essential bridge between our analog world and the digital electronics in communications, networking, industrial, transportation, computer, medical, instrumentation, consumer, and military and aerospace systems. Linear Technology produces power management, data conversion, signal conditioning, RF and interface ICs, µModule® subsystems, and wireless sensor network products. The Company is a Delaware corporation; it was originally organized and incorporated in California in 1981.

Recent Developments

On July 26, 2016, the Company announced that it had entered into a definitive merger agreement (the “Analog Merger Agreement”) with Analog Devices, Inc., a Massachusetts corporation (“Analog Devices”), under which a wholly owned subsidiary of Analog Devices will merge with and into the Company, and the Company will survive as a wholly owned subsidiary of Analog Devices (the “Analog Acquisition”). Under the terms of the Analog Merger Agreement, Linear Technology stockholders who do not exercise their appraisal rights under Delaware law will have the right to receive, for each Linear Technology share held by such stockholders, $46.00 in cash (the “Cash Consideration”) and 0.2321 shares of Analog Devices common stock, par value $0.16 2/3 per share (the “Stock Consideration,” and together with the Cash Consideration, the “Merger Consideration”) (with the ratio of Stock Consideration to Cash Consideration subject to adjustment pursuant to the terms of the Analog Merger Agreement so that the aggregate number of shares issued by Analog Devices as Stock Consideration will not exceed 19.9% of the total outstanding common stock of Analog Devices prior to the Analog Acquisition). Each of the Company’s equity awards that were outstanding as of July 22, 2016 and are unvested as of the closing of the Analog Acquisition will be converted into the right to receive the Merger Consideration in respect of each share of the Company’s common stock underlying such award when such award vests. Each of the Company’s other equity awards that were granted after July 22, 2016 and are unvested as of the closing of the Analog Acquisition will be converted into the right to receive 0.9947 shares of Analog Devices common stock in respect of each share of the Company’s common stock underlying such award when such award vests.

The transaction has been approved by both the Company’s Board of Directors and the board of directors of Analog Devices, and was approved by Linear Technology stockholders at the Company’s Annual Meeting of Stockholders held on October 18, 2016. The completion of the Analog Acquisition is subject to customary closing conditions including, among others, various regulatory approvals. The transaction is expected to close during the first half of calendar 2017. For additional information on the Analog Merger Agreement and the Analog Acquisition, please refer to the Company’s definitive proxy statement, filed with the Securities and Exchange Commission on September 16, 2016. The Company cannot guarantee that the Analog Acquisition will be completed or that, if completed, it will be exactly on the terms set forth in the Analog Merger Agreement. Should the Analog Acquisition not be completed, the Company will continue to be responsible for payment of commitments to current employees under retention agreements and may receive a termination fee depending on the circumstances, as provided for in the Analog Merger Agreement.

Basis of Presentation

The accompanying interim financial statements and information are unaudited; however, in the opinion of management, all adjustments necessary for a fair and accurate presentation of the interim results in conformity with U.S. generally accepted accounting principles (“GAAP”) have been made. All such adjustments were of a normal recurring nature. All information reported in this Form 10-Q should be read in conjunction with the Company’s annual consolidated financial statements for the fiscal year ended July 3, 2016 included in the Company’s Annual Report on Form 10-K. The accompanying year-end balance

sheet data has been presented for comparative purposes from the audited financial statements. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year.

The Company operates on a 52/53-week fiscal year ending on the Sunday nearest June 30. Fiscal year 2017 is a 52-week year. Fiscal year 2016 was a 53-week fiscal year, with the additional week falling in the second quarter.

Cash Equivalents and Marketable Securities

Cash equivalents are highly liquid investments purchased with original maturities of three months or less at the time of purchase. Cash equivalents consist of investment grade securities in commercial paper, bank certificates of deposit, and money market funds.

Investments with maturities over three months at the time of purchase are classified as marketable securities. At October 2, 2016 and July 3, 2016, the Company’s marketable securities balance consisted primarily of debt securities in municipal bonds, corporate bonds, commercial paper, U.S. and foreign government and agency securities. The Company’s marketable securities are managed by outside professional managers within investment guidelines set by the Company. The Company’s investment guidelines generally restrict the professional managers to high quality debt instruments with a credit rating of AAA. Within the Company’s investment policy there is a provision that allows the Company to hold AA+ securities under certain circumstances. The Company’s investments in debt securities are classified as available-for-sale. Investments in available-for-sale securities are reported at fair value with unrealized gains and losses, net of tax, as a component of “Accumulated other comprehensive income (loss)” in the Consolidated Balance Sheets. The Company classifies investments with maturities greater than twelve months as current as it considers all investments as a potential source of operating cash regardless of maturity date. The cost of securities matured or sold is based on the specific identification method.

Revenue Recognition

The Company recognizes revenues when the earnings process is complete, when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed and determinable and collection is reasonably assured. For the three months ended October 2, 2016, the Company recognized approximately 15% of net revenues from North American (“domestic”) distributors. Domestic distributor revenues are recognized under agreements which provide for certain sales price rebates and limited product return privileges. Given the uncertainties associated with the levels of pricing rebates, the ultimate sales price on domestic distributor sales transactions is not fixed or determinable until domestic distributors sell the merchandise to the end-customer. Domestic distributor agreements permit the following: price protection on certain domestic distribution inventory if the Company lowers the prices of its products; exchanges up to 5% of certain purchases on a quarterly basis; and ship and debit transactions. Ship and debit transactions occur when the Company agrees to accept a lower selling price for a specific quantity of product at the request of the domestic distributor in order to complete a sales transaction in the domestic distributor channel. For such sales, the Company rebates the negotiated price decrease to the distributor upon shipment as a reduction in the accounts receivable from the distributor.

At the time of shipment to domestic distributors, the Company records a trade receivable and deferred revenue at the distributor’s purchase price since there is a legally enforceable obligation from the distributor to pay for the products delivered. The Company relieves inventory as title has passed to the distributor and recognizes deferred cost of sales in the same amount. “Deferred income on shipments to distributors” represents the difference between deferred revenue and deferred costs of sales and is recognized as a current liability until such time as the distributor confirms a final sale to its end customer. ”Deferred income on shipments to distributors” effectively represents the deferred gross margin on the sale to the distributor, however, the actual amount of gross margin the Company ultimately recognizes in future periods may be less than the originally recorded amount as a result of price protection, negotiated price rebates and exchanges as mentioned above. The wide range and variability of negotiated price rebates granted to distributors does not allow the Company to accurately estimate the portion of the balance in the “Deferred income on shipments to distributors” that will be remitted back to the distributors. At October 2, 2016, the Company had approximately $61.3 million of deferred revenue and $12.5 million of deferred cost of sales recognized as $48.8 million of “Deferred income on shipments to distributors.” During fiscal years 2016 and 2017, the price rebates that have been

remitted back to distributors have ranged from $3.4 million to $4.1 million per quarter. The Company does not reduce deferred income by anticipated future price rebates. Instead, price rebates are recorded against “Deferred income on shipments to distributors” when incurred, which is generally at the time the distributor sells the product to the end customers.

The Company’s sales to international distributors are made under agreements which permit limited stock return privileges but not sales price rebates. Revenue on these sales is recognized upon shipment at which time title passes. The Company has reserves to cover expected product returns. If product returns for a particular fiscal period exceed or are below expectations, the Company may determine that additional or less sales return allowances are required to properly reflect its estimated exposure for product returns. Generally, changes to sales return allowances have not had a significant impact on operating margin.

Product Warranty and Indemnification

The Company’s warranty policy provides for the replacement of defective parts. In certain large contracts, the Company has agreed to negotiate in good faith a product warranty in the event that an epidemic failure of its parts was to take place. To date there have been no significant occurrences of epidemic failure. Warranty expense historically has been immaterial.

The Company provides a limited indemnification for certain customers against intellectual property infringement claims related to the Company’s products. In certain cases, there are limits on and exceptions to the Company’s potential liability for indemnification relating to intellectual property infringement claims. To date, the Company has not incurred any significant indemnification expenses relating to intellectual property infringement claims. The Company cannot estimate the amount of potential future payments, if any, which the Company might be required to make as a result of these agreements, and accordingly, the Company has not accrued any amounts for its indemnification obligations.

Stock-Based Compensation

The Company has equity incentive plans, which are described more fully in “Note 5: Stock-Based Compensation.” Stock-based compensation is measured at the grant date, based on the fair value of the award. The Company’s equity awards granted in fiscal years 2017 and 2016 were restricted stock awards. Stock-based compensation cost for restricted stock awards is based on the fair market value of the Company’s stock on the date of grant. Stock-based compensation cost for stock options is calculated on the date of grant using the fair value of stock options as determined using the Black-Scholes valuation model. The Black-Scholes valuation model requires the Company to estimate key assumptions such as expected option term and stock price volatility to determine the fair value of a stock option. The estimate of these key assumptions is based on historical information and judgment regarding market factors and trends. The Company amortizes restricted stock and stock option award compensation cost straight-line over the awards vesting period, which is generally 5 years.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income or loss. Other comprehensive income or loss components include unrealized gains or losses on available-for-sale securities, net of tax.

Adoption of New and Recently Issued Accounting Pronouncements

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. Each reporting period, management is required to assess whether there is substantial doubt about an entity’s ability to continue as a going concern and if so to provide related footnote disclosures. The Company will adopt this update in the fourth quarter of fiscal year 2017. The adoption of this standard is not expected to have a material impact on the Company’s financial statements or disclosures.

In July 2015, the FASB issued ASU No. 2015-11, Simplifying the Measurement of Inventory. The new guidance changes the measurement principle for inventory from the lower of cost or market to lower of cost or net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. No other changes were made to the current guidance on inventory measurement. The Company

adopted this update in the first quarter of fiscal year 2017. The adoption of this standard did not have a material impact on the Company's financial statements or disclosures.

In May 2014, the Financial Accounting Standard Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue from Contracts with Customers (Topic 606). On July 9, 2015, the FASB agreed to delay the effective date by one year from the first quarter of fiscal year 2018. In accordance with the agreed upon delay, the new standard is effective for the Company beginning in the first quarter of fiscal year 2019. Early adoption is permitted, but not before the original effective date of the standard. The core principle of ASU No. 2014-09 is that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU No. 2014-09 provides for one of the two methods of transition: retrospective application to each prior period presented; or recognition of the cumulative effect of retrospective application of the new standard in the period of initial application. The Company is currently evaluating the impact of ASU No. 2014-09 on its consolidated financial statements and which transition method to elect.

In February 2016, the FASB issued ASU 2016-02, Leases. This standard requires entities that lease assets, with a lease term of more than 12 months, to recognize lease assets and lease liabilities on the balance sheet. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. The standard is effective for fiscal years and the interim periods within those fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the timing of adoption and the effects of the adoption of this ASU on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting. This standard will impact how to account for certain aspects of share-based payments to employees. The standard is effective for fiscal years and the interim periods within those fiscal years beginning after December 15, 2016. Early adoption is permitted. The Company is currently evaluating the timing of adoption and the effects of the adoption of this ASU on the consolidated financial statements.

2. Earnings Per Share

Basic earnings per share is calculated using the weighted average shares of common stock and unvested restricted stock awards outstanding during the period. Diluted earnings per share is calculated using the weighted average shares of common stock outstanding and unvested restricted stock awards, plus the dilutive effect of stock options and restricted stock units calculated using the treasury stock method. The following table sets forth the reconciliation of weighted average common shares outstanding used in the computation of basic and diluted earnings per share:

	Three Months Ended	
In thousands, except per share amounts	October 2, 2016	September 27, 2015
Net income available to shareholders	$ 115,122	$ 112,047
Basic shares:		
Weighted-average shares outstanding – Basic	245,271	244,863
Basic earnings per share	$ 0.47	$ 0.46
Diluted shares:		
Dilutive effect of equity plans	438	371
Weighted-average shares outstanding – Diluted	245,709	245,234
Diluted earnings per share	$ 0.47	$ 0.46

3. Fair Value

The Company has determined that the only assets and liabilities in the Company's financial statements that are required to be measured at fair value on a recurring basis are the Company's investment portfolio assets. Financial instruments are categorized in a fair value hierarchy that prioritizes the information used to develop assumptions for measuring fair value and expands disclosures about fair value measurements. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 input); then to quoted prices (in non-active markets or in active markets for similar assets or liabilities), inputs other than quoted prices that are observable for the asset or liability, and inputs that are not directly observable, but that are corroborated by observable market data for the asset or liability (Level 2 input); then the lowest priority to unobservable inputs, for example, the Company's data about the assumptions that market participants would use in pricing an asset or liability (Level 3 input). Fair value is a market-based measurement, not an entity-specific measurement, and a fair value measurement should therefore be based on the assumptions that market participants would use in pricing the asset or liability.

The Company's Level 1 assets consist of investments in money-market funds and United States Treasury securities that are actively traded. The Company's Level 2 assets consist of municipal bonds, obligations of U.S. government-sponsored enterprises, corporate debt and commercial paper that are less actively traded in the market, but where quoted market prices exist for similar instruments that are actively traded. The Company determines the fair value of its Level 2 assets by obtaining non-binding market prices from its third-party portfolio managers on the last day of the quarter. The Company has no Level 3 assets.

The following table presents the Company's fair value hierarchy for its financial assets (cash equivalents and marketable securities) measured at fair value on a recurring basis as of October 2, 2016:

In thousands Description	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Investments in U.S. Treasury securities and money-market funds	$ 528,185	$ —	$ 528,185
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises and commercial paper	—	865,915	865,915
Total assets measured at fair value	$ 528,185	$ 865,915	$ 1,394,100

The following table presents the Company's fair value hierarchy for its financial assets (cash equivalents and marketable securities) measured at fair value on a recurring basis as of July 3, 2016:

In thousands Description	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Investments in U.S. Treasury securities and money-market funds	$ 513,193	$ —	$ 513,193
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises and commercial paper	—	832,438	832,438
Total assets measured at fair value	$ 513,193	$ 832,438	$ 1,345,631

4. Marketable Securities

The following is a summary of cash equivalents and marketable securities as of October 2, 2016:

In thousands	October 2, 2016 Amortized Cost	Unrealized Gain	Unrealized (Loss)(1)	Fair Value
U.S. Treasury securities	$ 504,838	$ 514	$ (43)	$ 505,309
Obligations of U.S. government-sponsored enterprises	353,991	594	(32)	354,553
Municipal bonds	144,863	31	(163)	144,731
Corporate debt securities and other	366,566	80	(15)	366,631
Money market funds	22,876	—	—	22,876
Total	$ 1,393,134	$ 1,219	$ (253)	$ 1,394,100
Amounts included in:				
Cash equivalents	$ 90,085	$ 4	$ —	$ 90,089
Marketable securities	1,303,049	1,215	(253)	1,304,011
Total	$ 1,393,134	$ 1,219	$ (253)	$ 1,394,100

The following is a summary of cash equivalents and marketable securities as of July 3, 2016:

In thousands	July 3, 2016 Amortized Cost	Unrealized Gain	Unrealized (Loss)(1)	Fair Value
U.S. Treasury securities	$ 441,925	$ 783	$ (5)	$ 442,703
Obligations of U.S. government-sponsored enterprises	316,368	855	—	317,223
Municipal bonds	119,680	158	(10)	119,828
Corporate debt securities and other	395,254	143	(10)	395,387
Money market funds	70,490	—	—	70,490
Total	$ 1,343,717	$ 1,939	$ (25)	$ 1,345,631
Amounts included in:				
Cash equivalents	$ 161,028	$ 10	$ —	$ 161,038
Marketable securities	1,182,689	1,929	(25)	1,184,593
Total	$ 1,343,717	$ 1,939	$ (25)	$ 1,345,631

(1) The Company evaluated the nature of the investments with a loss position at October 2, 2016 and July 3, 2016, which are primarily obligations of the U.S. government and its sponsored enterprises, municipal bonds and U.S. corporate notes. In evaluating the investments, the Company considered the duration of the impairments, and the amount of the impairments relative to the underlying portfolio and concluded that such amounts were not other-than-temporary. The Company principally holds securities until maturity, however, they may be sold under certain circumstances. Unrealized losses on the investments greater than twelve months old were not significant as of October 2, 2016 and July 3, 2016.

The estimated fair value of debt investments in marketable securities, by effective maturity date is as follows:

In thousands	October 2, 2016	July 3, 2016
Due in one year or less	$ 1,094,180	$ 943,323
Due after one year through three years	209,831	241,270
Total marketable securities	$ 1,304,011	$ 1,184,593

5. Stock-based Compensation

Equity Incentive Plans

The Company currently has a 2010 Equity Incentive Plan, under which the Company may grant Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares and Performance Units. Under the plan, the Company may grant awards to employees, executive officers, directors and consultants who provide services to the Company. To date, the Company has only granted Nonstatutory Stock Options (under previous equity incentive plans), Restricted Stock Awards and Restricted Stock Units. At October 2, 2016, 13.8 million shares were available for grant under the current plan. The Company's restricted awards generally vest annually over a period of five years (20% a year) based upon continued employment with the Company.

The Company has an Employee Stock Purchase Plan ("ESPP") that permits eligible employees to purchase common stock through payroll deductions at 85% of the fair market value of the common stock at the end of each six-month offering period. The offering periods generally commence on approximately May 1 and November 1 of each year. At October 2, 2016, 2.2 million shares were available for issuance under the ESPP.

As of October 2, 2016, there was approximately $239.4 million of total unrecognized stock-based compensation cost related to share-based payments granted under the Company's stock-based compensation plans that will be recognized over a period of approximately 5 years. Future grants will add to this total, whereas quarterly amortization and the vesting of the existing grants will reduce this total.

Restricted Stock

The following table summarizes the Company's restricted stock and restricted stock unit activity under all equity award plans during the period indicated:

	Restricted Awards Outstanding		Weighted Average Grant Date Fair Value
Non-vested at July 3, 2016	6,293,108	$	41.36
Granted	1,096,422		59.97
Vested	(532,561)		36.09
Forfeited	(113,545)		42.40
Non-vested at October 2, 2016	6,743,424	$	44.78

Stock Options

There were no outstanding options during the period ended October 2, 2016. The Company's last stock option grant to an employee was in January 2009.

6. Goodwill and Intangible Assets

Goodwill

The goodwill balance of $2.2 million at October 2, 2016 is attributable to the acquisition in fiscal year 2012 of Dust Networks ("Dust") of Hayward, California, a provider of low power wireless sensor network technology. There were no changes to the goodwill balance for the period ended October 2, 2016. The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances might suggest that the carrying value of goodwill may not be recoverable. The Company expects that none of the goodwill will be deductible for tax purposes.

Intangible Assets

Attributable to the acquisition of Dust the Company recorded intangible assets of $13.1 million for intellectual property and $4.0 million for customer relationships. The Company reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of assets may not be recoverable. Finite-intangible assets are amortized on a straight-line basis over their estimated useful lives that are expected to reflect the estimated pattern of economic use.

Intangible assets are amortized over their estimated useful lives of 5 to 10 years using the straight-line method of amortization. The remaining amortization expense, related to finite-lived intangible assets, will be recognized over a weighted-average period of approximately 5.1 years.

Intangible assets consisted of the following:

In thousands	October 2, 2016			July 3, 2016		
	Original Cost	Accumulated Amortization	Net	Original Cost	Accumulated Amortization	Net
Intellectual property	$ 13,100	$ (8,550)	$ 4,550	$ 13,100	$ (8,100)	$ 5,000
Customer relationships	4,000	(1,900)	2,100	4,000	(1,800)	2,200
Total intangible assets	$ 17,100	$ (10,450)	$ 6,650	$ 17,100	$ (9,900)	$ 7,200

7. Credit Facility

On October 23, 2013, the Company entered into a credit agreement (the “Credit Agreement”) with Wells Fargo Bank, National Association (the “Bank”). On July 27, 2015, the Credit Agreement was amended to extend the maturity date and increase the size of the line of credit. The Company entered into the Credit Agreement to enhance cash deployment flexibility.

As amended, the Credit Agreement provides for a $150.0 million unsecured revolving line of credit, under which the Company may borrow, repay and reborrow loans from time to time prior to its scheduled maturity date of July 27, 2017 (the“Maturity Date”). Proceeds of loans made under the Credit Agreement may be used for working capital and other general corporate purposes of the Company and its subsidiaries. The Company may prepay the loans under the Credit Agreement in whole or in part at any time without premium or penalty, subject to customary breakage costs.

The loans bear interest at LIBOR plus 1.0%. Any then-outstanding principal amount, together with all accrued and unpaid interest, is due and payable on the Maturity Date.

The Company is required to maintain with the Bank average account balances, calculated on a quarterly basis, of not less than $30.0 million. The Company must also maintain EBITDA of not less than $75.0 million measured quarterly, and, in order to take certain actions such as payments of dividends, must also maintain a balance of $500.0 million of cash and cash equivalents and marketable securities on a worldwide consolidated basis. The Credit Agreement contains other customary affirmative and negative covenants, as well as customary events of default. To date, the Company has not utilized the Credit Agreement and was in compliance with the covenants under this credit facility. Effective November 1, 2016, the Credit Agreement has been terminated.

8. Stockholders’ Equity

Stock Repurchase

The Analog Merger Agreement restricts the ability of the Company to repurchase shares of its common stock until the time that the transaction is consummated or the Analog Merger Agreement is terminated.

For the majority of restricted stock awards and units granted, the number of shares issued on the date the restricted stock awards and units vest is net of the minimum statutory tax withholding requirements that the Company pays in cash to the

appropriate taxing authorities on behalf of its employees. During the quarter ended October 2, 2016, the Company repurchased approximately 0.2 million shares related to equity grants of its common stock for approximately $10.8 million.

Dividends

A cash dividend of $0.32 per share will be paid on November 30, 2016 to stockholders of record on November 18, 2016. During the three months ended October 2, 2016, the Company paid $78.6 million in dividends representing $0.32 per share. The payment of future dividends will be based on the Company's financial performance.

9. Income Taxes

The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. As of October 2, 2016, the Company's other long-term liabilities account includes $38.3 million of unrecognized tax benefits of which approximately $17.1 million would favorably impact its effective income tax rate in future periods if the Company's positions on these tax matters are upheld. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. Included in the liability for unrecognized tax benefits was $2.4 million accrued for interest at October 2, 2016.

The effective tax rate decreased from 25.7% to 24.0% for the three months ended October 2, 2016, compared to the same period in the prior fiscal year primarily due to the permanent reinstatement of the R&D tax credit in the December quarter of fiscal year 2015.

10. Contingencies

Litigation

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business on a wide range of matters, including, among others, patent suits and employment claims. The Company does not believe that any such current suits will have a material impact on its business or financial condition. However, current lawsuits and any future lawsuits will divert resources and could result in the payment of substantial damages.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Linear Technology Corporation, a member of the S&P 500, has been designing, manufacturing and marketing a broad line of high performance analog integrated circuits for major companies worldwide for over three decades. The Company's products provide an essential bridge between our analog world and the digital electronics in communications, networking, industrial, transportation, computer, medical, instrumentation, consumer, and military and aerospace systems. Linear Technology produces power management, data conversion, signal conditioning, RF and interface ICs, µModule subsystems, and wireless sensor network products.

Acquisition by Analog Devices

On July 26, 2016, the Company announced that it had entered into the Analog Merger Agreement, under which a wholly owned subsidiary of Analog Devices will merge with and into the Company, and the Company will survive as a wholly owned subsidiary of Analog Devices. Under the terms of the Analog Merger Agreement, Linear Technology stockholders who do not exercise their appraisal rights under Delaware law will have the right to receive, for each Linear Technology share held by suchstockholders, $46.00 as Cash Consideration and 0.2321 shares of Analog Devices common stock as Stock Consideration (with the ratio of Stock Consideration to Cash Consideration subject to adjustment pursuant to the terms of the Analog Merger Agreement so that the aggregate

number of shares issued by Analog Devices as Stock Consideration will not exceed 19.9% of the total outstanding common stock of Analog Devices prior to the Analog Acquisition). Each of the Company's equity awards that were outstanding as of July 22, 2016 and are unvested as of the closing of the Analog Acquisition will be converted into the right to receive the Merger Consideration in respect of each share of the Company's common stock underlying such award when such award vests. Each of the Company's other equity awards that were granted after July 22, 2016 and are unvested as of the closing of the Analog Acquisition will be converted into the right to receive 0.9947 shares of Analog Devices common stock in respect of each share of the Company's common stock underlying such award when such award vests.

The transaction has been approved by both the Company's Board of Directors and the board of directors of Analog Devices, and was approved by Linear Technology stockholders at the Company's Annual Meeting of Stockholders held on October 18, 2016. The completion of the Analog Acquisition is subject to customary closing conditions including, among others, various regulatory approvals. The Company has incurred, and in the future will continue to incur, significant non-recurring costs in connection with the Analog Acquisition. In addition, obtaining capital may be restricted by the terms of the Analog Merger Agreement. The transaction is expected to close during the first half of calendar 2017. For additional information on the Analog Merger Agreement and the Analog Acquisition, please refer to the Company's definitive proxy statement, filed with the Securities and Exchange Commission on September 16, 2016. The Company cannot guarantee that the Analog Acquisition will be completed or that, if completed, it will be exactly on the terms as set forth in the Analog Merger Agreement. Should the Analog Acquisition not be completed, the Company will continue to be responsible for payment of commitments to current employees under retention agreements and may receive a termination fee depending on the circumstances, as provided for in the Analog Merger Agreement.

Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies as compared to the previous disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2016.

Results of Operations

Revenue by Geographic Region

	Three Months Ended				Change	
(Dollars in thousands)	October 2, 2016	% of Revenue	September 27, 2015	% of Revenue	Amount	Percent
North America	$ 103,726	28%	$ 94,378	28%	$ 9,348	9.9 %
Europe	69,830	19%	66,632	19%	3,198	4.8
Japan	52,087	14%	52,156	15%	(69)	(0.1)
Rest of the world	148,252	39%	128,751	38%	19,501	15.1
Total revenue	$ 373,895	100%	$ 341,917	100%	31,978	9.4

Revenue increased in all major geographies, except for Japan which remained relatively flat, for the three months ended October 2, 2016, compared to the same period in the prior fiscal year. The Rest of World geography is primarily Asia, excluding Japan, which had the largest growth primarily due to strong sales of battery management systems in China. Revenue increased in all end-markets, except Computer and Consumer, with Transportation and Industrial showing the largest increases in absolute dollars.

Revenues for the quarter ended October 2, 2016, increased from the prior fiscal year quarter due to a higher number of units shipped and a higher average selling price ("ASP"). The number of units shipped in the quarter ended October 2, 2016, increased by approximately 3% to 187.4 million units from the 182.3 million units shipped in the prior fiscal year quarter. The ASP in the quarter ended October 2, 2016, increased 6% to $2.00 per unit over $1.88 per unit in the prior fiscal year quarter.

Gross Profit

(Dollars in thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Change Amount	Change Percent
Gross profit	$ 282,069	$ 256,712	$ 25,357	9.9 %
Gross margin as a % of revenue	75.4%	75.1%		

Gross margin increased to 75.4% in the three months ended October 2, 2016, as compared to 75.1% in the prior fiscal year quarter. The change in gross margin was primarily due to spreading fixed costs over a higher revenue base, a higher ASP, and higher factory efficiencies, partially offset by $2.0 million in merger-related charges.

Research and Development ("R&D")

(Dollars in thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Change Amount	Change Percent
R&D	$ 76,359	$ 66,602	$ 9,757	14.6 %
R&D as a % of revenue	20.4%	19.5%		

R&D expense increased $9.8 million for the three months ended October 2, 2016, compared to the same period in the prior fiscal year, primarily due to $5.0 million in merger-related charges. In addition, R&D expense increased due to a $1.0 million increase in labor and fringe compensation costs as a result of increases in headcount and merit compensation, a $1.3 million increase in employee profit sharing, a $0.9 million increase in stock compensation, and a $1.6 million increase in other R&D expenses primarily due to higher expenses for supplies and software amortization.

Selling, General and Administrative ("SG&A")

(Dollars in thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Change Amount	Change Percent
SG&A	$ 56,409	$ 40,193	$ 16,216	40.3 %
SG&A as a % of revenue	15.1%	11.8%		

SG&A expense increased $16.2 million for the three months ended October 2, 2016, compared to the same period in the prior fiscal year, primarily due to $12.8 million in merger-related charges. In addition, SG&A expense increased due to a $1.0 million increase in profit sharing, a $0.6 million increase in labor and fringe compensation costs as a result of increases in headcount and merit compensation, a $0.5 million increase in stock compensation, and a $1.4 million increase in other SG&A expenses primarily due to higher advertising, travel, and employee morale expenses.

Interest and Other Income

(Dollars in thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Change Amount	Change Percent
Interest and other income	$ 2,173	$ 987	$ 1,186	120.2 %
Interest and other income as a % of revenue	0.6%	0.3%		

Interest and other income increased $1.2 million for the three months ended October 2, 2016, compared to the same period in the prior fiscal year, due to an increase in the average cash balance and higher interest rates earned on the Company's cash, cash equivalents and marketable securities balances.

Provision for Income Taxes

(Dollars in thousands)	Three Months Ended October 2, 2016	Three Months Ended September 27, 2015	Change Amount	Change Percent
Provision for income taxes	$ 36,352	$ 38,857	$ (2,505)	(6.4)%
Effective tax rate	24.0%	25.7%		

The provision for income taxes decreased $2.5 million for the three months ended October 2, 2016, compared to the same period in the prior fiscal year. The Company's effective income tax rate for the first quarter of fiscal year 2017 was 24.00% as compared to 25.75% in the same period of fiscal year 2016. The decrease in the effective tax rate is primarily due to the permanent reinstatement of the R&D tax credit.

Excluding the effect of quarterly discrete tax adjustments, the Company estimates that its annual effective income tax rate for fiscal year 2017 will be in the range of 24.0% to 24.5%.

Factors Affecting Future Operating Results

Except for historical information contained herein, the matters set forth in this Form 10-Q, including the statements in the following paragraphs, are forward-looking statements that are dependent on certain risks and uncertainties including such factors, among others, as the timing, volume and pricing of new orders received and shipped during the quarter, the timely introduction of new processes and products; changes in costs associated with utilities, transportation and raw materials; currency fluctuations; the effects of adverse economic conditions in the United States and/or international markets and other factors described below and in ”Item 1A – Risk Factors” section of this Quarterly Report on Form 10-Q.

Quarterly revenue of $373.9 million for the first quarter of fiscal year 2017 is generally the same as the sequential quarter's revenue of $373.8 million, but represents a 9.4% increase over the $341.9 million reported in the first quarter of fiscal year 2016. Gross margin, operating margin and earnings per share were impacted by a total of $19.8 million of merger-related charges associated with the pending Analog Acquisition. Looking forward, the December quarter is typically a seasonally weaker quarter due to a slower European market and in particular a weaker Industrial market that historically often results in a sequential quarterly revenue decline. Given a slightly positive first quarter book-to-bill ratio and based upon the current bookings rate, the Company is anticipating relatively flat sequential revenue in the second quarter of fiscal year 2017 representing growth in the 7% to 8.5% range on a year-over-year basis.

Liquidity and Capital Resources

At October 2, 2016, cash, cash equivalents and marketable securities totaled $1,521.1 million, an increase of $72.9 million over the July 3, 2016 balance. Major uses of cash provided by operating activities of $167.8 million were (i) cash dividends of $78.6 million and (ii) $10.8 million to purchase 0.2 million shares to satisfy minimum statutory withholding requirements related to the vesting of employee restricted stock awards. Working capital at October 2, 2016 was $1,630.7 million.

The Company’s cash, cash equivalent, and marketable securities include significant funds held by the Company’s non-U.S. subsidiaries. Funds held by non-U.S. subsidiaries are generally subject to U.S. income taxation upon repatriation to the U.S. The Company’s non-U.S. funds include approximately $326 million available for use in the U.S. without incurring additional U.S. income taxes in excess of the amounts accrued in its financial statements as of October 2, 2016. The remaining amount of non-U.S. cash, cash equivalents, and short-term investments is being held offshore indefinitely for reinvestment and, therefore, no U.S. current or deferred taxes have been accrued on such amount.

The Company’s international operations and capital requirements are funded primarily by cash generated by foreign operating activities and cash held by non-U.S subsidiaries. The Company’s U.S. operations and capital requirements are funded primarily by cash generated from U.S. operating activities and to a lesser extent by cash and investments held by the U.S. parent

company. Cash generated by U.S. operations has been and is expected to be sufficient to meet the Company's business needs in the U.S. for the foreseeable future including the funding of U.S. operations, purchases of capital equipment and the quarterly dividend.

As of October 2, 2016, accounts receivable totaled $162.4 million, an increase of $5.0 million over the July 3, 2016 balance. The increase is primarily due to the timing of cash collections in the first quarter of fiscal year 2017 as compared to the fourth quarter of fiscal year 2016.

As of October 2, 2016, net property, plant and equipment totaled $281.6 million, a decrease of $4.3 million from the July 3, 2016 balance. For the three months ended October 2, 2016, fixed asset additions totaled $8.3 million, primarily for procurement of assembly, test and wafer fabrication equipment. Depreciation expense for the period was $13.2 million.

A cash dividend of $0.32 per share will be paid on November 30, 2016 to stockholders of record on November 18, 2016. The payment of future dividends will be based on financial performance.

Under the Analog Merger Agreement, Analog Devices has agreed to pay a termination fee of $700 million to the Company if the Analog Merger Agreement is terminated under certain circumstances involving the failure to obtain required regulatory approvals. In addition, whether or not the Analog Acquisition is completed, the uncertainty related to the proposed Analog Acquisition could adversely impact our business.

Contractual Obligations

The Company leases some of its facilities under non-cancelable operating leases that expire at various dates through fiscal 2057.

During the second quarter of fiscal year 2014, the Company entered into a Credit Agreement with Wells Fargo Bank, National Association providing for a $100.0 million unsecured revolving line of credit. On July 27, 2015, the Credit Agreement was extended for two years with similar terms for $150.0 million. The Company has not utilized the Credit Agreement to date. Effective November 1, 2016, the Credit Agreement has been terminated.

Off-Balance Sheet Arrangements

As of October 2, 2016, the Company had no off-balance sheet financing arrangements.

Recent Accounting Pronouncements

Refer to "Recent Accounting Pronouncements" in Note 1 to Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

The Company's cash equivalents and marketable securities are subject to market risk, primarily interest rate and credit risk. The Company's investments are managed by outside professional managers within investment guidelines set by the Company. Such guidelines include security type, credit quality and maturity and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities. Any basis point increase in short-term interest rates would result in an unrealized loss in market value of the Company's investments, however, there have been no material changes in interest rate risk affecting the Company since the filing of the Company's Form 10-K for fiscal year 2016. Such losses would only be realized if the Company sold the investments prior to maturity. These investments are reported at fair value with the related unrealized gains or losses reported in accumulated other comprehensive income, a component of stockholders' deficit. The Company generally holds securities until maturity.

Foreign exchange risk

The Company’s sales outside the United States are transacted in U.S. dollars; accordingly, the Company’s sales are not generally impacted by foreign currency rate changes. The operations outside of the United States incur operating expenses denominated in foreign currencies. The results of operations and cash flows are therefore subject to fluctuations due to changes in foreign currency exchange rates. The Company has not entered into any foreign currency exchange contracts to hedge foreign exchange risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

The Company’s management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. For purposes of this section, the term *disclosure controls and procedures* means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 (15 U.S.C. 78a *et seq.*) is recorded, processed, summarized and reported within the time periods specified in the Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

The Company’s management evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company’s disclosure controls and procedures as of October 2, 2016. Based on this evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, the Company’s disclosure controls and procedures are effective to ensure that information it is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting.

No change in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended October 2, 2016 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business on a wide range of matters, including, among others, patent suits and employment claims. The Company does not believe that any such current suits will have a material impact on its business or financial condition. However, current lawsuits and any future lawsuits will divert resources and could result in the payment of substantial damages.

ITEM 1A. RISK FACTORS

A description of the risk factors associated with the Company is set forth below.

Risks Related to the Analog Acquisition

Our business relationships may be subject to disruption due to uncertainty associated with the Analog Acquisition, which could have an adverse effect on our results of operations, cash flows and financial position and, following the completion of the Analog Acquisition, those of the combined company.

Parties with which we do business may be uncertain as to the effects on them from the Analog Acquisition and related transactions, including with respect to their current or future business relationships with us or the combined company. These relationships may be subject to disruption, as customers, suppliers and other persons with whom we have business relationships may delay or defer certain business decisions or might decide to terminate, change or renegotiate their relationships with us, or consider entering into business relationships with parties other than us or the combined company. These disruptions could have an adverse effect on our results of operations, cash flows and financial position or those of the combined company following the completion of the Analog Acquisition. The risk, and adverse effect, of any disruption could be exacerbated by a delay in completion of the Analog Acquisition or termination of the Analog Merger Agreement.

The Analog Merger Agreement subjects us to restrictions on our business activities.

The Analog Merger Agreement subjects us to restrictions on our business activities and generally obligates us to generally operate our businesses in all material respects in the ordinary course. These restrictions could have an adverse effect on our results of operations, cash flows and financial position.

Completion of the Analog Acquisition is subject to the conditions contained in the Analog Merger Agreement, and if these conditions are not satisfied or waived, the Analog Acquisition will not be completed.

Our obligations and the obligations of Analog Devices to complete the Analog Acquisition are subject to the satisfaction or waiver of a number of conditions, including the receipt of various regulatory approvals. For a more complete summary of the required regulatory approvals and the conditions to the closing of the Analog Acquisition, please review the Analog Merger Agreement in its entirety, which was filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 29, 2016.

Many of the conditions to closing of the Analog Acquisition are not within our control, and we cannot predict when or if these conditions will be satisfied. If any of these conditions are not satisfied or waived prior to April 26, 2017, which date will automatically be extended to October 26, 2017 under certain circumstances, it is possible that the Analog Merger Agreement will be terminated. Although we and Analog Devices have agreed in the Analog Merger Agreement to use reasonable best efforts, subject to certain limitations, to complete the Analog Acquisition as soon as practicable, these and other conditions to the completion of the Analog Acquisition may not be satisfied. The failure to satisfy all of the required conditions could delay the completion of the Analog Acquisition for a significant period of time or prevent it from occurring. There can be no assurance that the conditions to the closing of the Analog Acquisition will be satisfied or waived or that the Analog Acquisition will be completed. See the risk factor below titled "Failure to complete the Analog Acquisition could negatively affect our stock price, future business and financial results."

The Analog Acquisition is subject to the expiration of applicable waiting periods, and the receipt of approvals, consents or clearances from domestic and foreign regulatory authorities that may impose conditions that could have an adverse effect on us or the combined company or, if not obtained, could prevent completion of the Analog Acquisition.

Before the Analog Acquisition may be completed, any waiting period (or extension thereof) applicable to the Analog Acquisition must have expired or been terminated, and any approvals, consents or clearances required in connection with the Analog Acquisition must have been obtained, in each case, under the Hart Scott Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and under the antitrust and competition laws of China, Israel, Japan, Korea, the European Union (to the extent it has jurisdiction as a result of a referral request made pursuant to Article 4(5) of the EC Merger Regulation or Article 22 of the EC Merger Regulation, which we refer to in this annual report as a European Union specified merger control action), Romania (to the extent required by applicable law, unless a European specified merger control action occurs), Germany (unless a European Union specified merger control action occurs) and the United Kingdom (unless a European Union specified merger control action occurs, and to the extent there is a publication by the United Kingdom Competition & Markets Authority of an Invitation to Comment in relation to the transaction, on its website and/or on the Regulatory News Service of the London Stock Exchange). In addition, the Analog Acquisition may be reviewed under antitrust statutes of other governmental authorities, including U.S. state laws. In deciding whether to grant the

required regulatory approval, consent or clearance, the relevant governmental entities will consider the effect of the Analog Acquisition on competition within their relevant jurisdiction. The terms and conditions of the approvals, consents and clearances that are granted may impose requirements, limitations or costs on, or place restrictions on the conduct of, the combined company's business. The applicable waiting period for the Analog Acquisition under the HSR Act expired on October 19, 2016, and as a result, the Analog Acquisition has been cleared for U.S. antitrust purposes. In addition, we received clearance for the Analog Acquisition from the German Federal Cartel Office on October 11, 2016.

Under the Analog Merger Agreement, we and Analog Devices have agreed to use reasonable best efforts to obtain such approvals, consents and clearances and therefore may be required to comply with conditions or limitations imposed by governmental authorities. However, Analog Devices will not be required to do any of the following in order to obtain any regulatory approval or otherwise to consummate the Analog Acquisition, and any requirement to do any of the following in order to obtain a required regulatory approval would result in the conditions to the consummation of the Analog Acquisition not being satisfied, unless waived by Analog Devices: (i) sell, divest, exclusively license, hold separate, or otherwise dispose of, or (ii) grant any non-exclusive license, accept any operational restrictions or take or commit to take any actions which restrictions or actions would limit Analog Devices' or any of its affiliates' freedom of action, in each case with respect to assets, licenses, product lines, operations or businesses of Analog Devices, Linear Technology or any of their respective subsidiaries that individually or in the aggregate generated total collective revenues in excess of $125 million in Analog Devices or Linear Technology's fiscal year 2016, which we refer to in this annual report as the revenue cap. For purposes of clause (ii), the revenues of the asset, license, product line, operation or business impacted by such non-exclusive license, operational restriction or action will be considered in determining whether the revenue cap is met only if such restrictions would limit Analog Devices' or its affiliates' freedom of action with respect to the impacted asset, product line, operation or business after the effective time in a manner that is material to such impacted asset, product line, operation or business or, in the case of a non-exclusive license, the adverse effect of such license is non-de minimis with respect to the impacted asset, product line, operation or business. Analog Devices will also not be required to agree to or accept any obligation to permit any third party to invest (directly or indirectly, including through a joint venture or similar arrangement) in Analog Devices, Linear Technology, or any of their subsidiaries or affiliates. There can be no assurance that regulators will not impose conditions, terms, obligations or restrictions and that such conditions, terms, obligations or restrictions will not have the effect of delaying completion of the Analog Acquisition or imposing additional material costs on or materially limiting the revenues of the combined company following the completion of the Analog Acquisition. In addition, neither we nor Analog Devices can provide assurance that any such conditions, terms, obligations or restrictions will not result in the delay or abandonment of the Analog Acquisition.

The Analog Merger Agreement limits our ability to pursue alternatives to the Analog Acquisition and may discourage other companies from trying to acquire the Company.

The Analog Merger Agreement contains provisions that make it more difficult for us to sell our business to a party other than Analog Devices. These provisions include a general prohibition on the Company soliciting any acquisition proposal or offer for a competing transaction, and could discourage a third party that might have an interest in acquiring all or a significant part of the Company from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share value than the value proposed to be received or realized in the Analog Acquisition since, now that the Company's stockholders have approved the Analog Acquisition, the Company cannot terminate the Analog Merger Agreement to accept a superior proposal.

Failure to complete the Analog Acquisition could negatively affect our stock price and our future business and financial results.

If the Analog Acquisition is not completed for any reason, including as a result of failing to obtain various regulatory approvals, our ongoing business may be adversely affected, and, without realizing any of the benefits of having completed the Analog Acquisition, we could be subject to a number of negative consequences, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on our stock price;
- we may experience negative reactions from our customers and suppliers, or negative publicity generally;
- we may experience negative reactions from our employees and may not be able to retain key management personnel and other key employees;
- we will have incurred, and will continue to incur, significant non-recurring costs in connection with the Analog Acquisition that we may be unable to recover;
- the Analog Merger Agreement places certain restrictions on the conduct of our business prior to completion of the Analog Acquisition, the waiver of which is subject to the consent of Analog Devices (not to be unreasonably withheld, conditioned

or delayed in certain circumstances), which may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Analog Acquisition that may be beneficial to us; and

- matters relating to the Analog Acquisition (including integration planning) will require substantial commitments of time and resources by our management, which could otherwise have been devoted to day-to-day operations and other opportunities that may be beneficial to us as an independent company.

In addition, we could be subject to litigation related to any failure to complete the Analog Acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the Analog Merger Agreement. If the Analog Acquisition is not completed, any of these risks may materialize and may adversely affect our business, financial condition, financial results and stock price.

Uncertainties associated with the Analog Acquisition may cause a loss of our management personnel and our other key employees, which could adversely affect our future business and operations or those of the combined company following the Analog Acquisition.

We are dependent on the experience and industry knowledge of our officers and other key employees to execute our business plans. The combined company's success after the Analog Acquisition, or our success as a stand-alone company if the Analog Acquisition is not completed, will depend in part upon our ability to retain key management personnel and other key employees. Current and prospective employees of the Company may experience uncertainty about their future roles with the combined company following the Analog Acquisition, which may materially adversely affect our ability to attract and retain key personnel during the pendency of the Analog Acquisition. Accordingly, no assurance can be given that either we or the combined company will be able to retain our key management personnel and our other key employees.

A lawsuit has been, and lawsuits may in the future be, filed against us or our directors challenging the Analog Acquisition, and an adverse ruling in any such lawsuit may prevent the Analog Acquisition from becoming effective or from becoming effective within the expected timeframe.

Transactions like the Analog Acquisition are frequently subject to litigation or other legal proceedings, including actions alleging that our Board of Directors breached its fiduciary duty to our stockholders by entering into the Analog Merger Agreement, by failing to obtain a greater value in the transaction for our stockholders or otherwise. On September 28, 2016, a putative class action lawsuit relating to the Analog Acquisition was filed in the United States District Court for the Northern District of California captioned *David Guerra v. Linear Technology Corp. et al.* (the "Action") on behalf of a putative class of the Company's public shareholders. The Action alleged that the Company and the Board failed to comply with federal securities laws by failing to disclose material information in our definitive proxy statement, filed with the Securities and Exchange Commission on September 19, 2016. While the Company believes that the definitive proxy statement disclosed all material information, in order to avoid the burden, expense and distraction of litigation, the Company filed a Current Report on Form 8-K with the Securities and Exchange Commission on October 12, 2016 to supplement the disclosures in the definitive proxy statement and agreed to pay certain attorneys' fees. The claims of the named Plaintiff were subsequently dismissed with prejudice on October 24, 2016. We believe that any future litigation or proceedings would be without merit, but there can be no assurance that they will not be brought. If additional litigation or other legal proceedings are in fact brought against us or our Board, we intend to defend against it vigorously, but we might not be successful in doing so. An adverse outcome in such matters, as well as the costs and efforts of a defense even if successful, could have a material adverse effect on our business, results of operation or financial condition, including through the possible diversion of our resources or distraction of key personnel.

Further, one of the conditions to the completion of the Analog Acquisition is that no injunction by any court or other tribunal of competent jurisdiction be in effect that temporarily or permanently prohibits, enjoins or makes illegal the consummation of the Analog Acquisition. As such, if any of the plaintiffs are successful in obtaining an injunction prohibiting the consummation of the Analog Acquisition, that injunction may prevent the Analog Acquisition from becoming effective or from becoming effective within the expected timeframe.

Risks Related to Our Business

Fluctuations in consumer and/or corporate spending, including due to uncertainties in the macroeconomic environment, could adversely affect our revenues and profitability.

We depend on demand from the industrial, communication, computer, consumer and transportation end-markets we serve. Our revenues and profitability are based on certain levels of consumer and corporate spending. Reductions or other fluctuations in consumer and/or corporate spending, including as a result of uncertain conditions in the macroeconomic environment, such as government economic or fiscal instability, restricted global credit conditions, reduced demand, imbalanced inventory levels, mortgage failures, fluctuations in interest rates, energy prices, currencies, or other conditions, could adversely affect our revenues and profitability. The impact of general economic sluggishness relating to government debt limits, unemployment issues and other causes can cause customers to be cautious, or delay or reduce orders for our products until these economic uncertainties improve.

Sudden adverse shifts in the business cycle could adversely affect our revenues and profitability.

The semiconductor market has historically been cyclical and subject to significant economic downturns at various times. The cyclical nature of the semiconductor industry may cause us to experience substantial period-to-period fluctuations in our results of operations. The growth rate of the global economy is one of the factors affecting demand for semiconductor components. Many factors could adversely affect regional or global economic growth including turmoil or depressed conditions in financial or credit markets, depressed business or consumer confidence, inventory excesses, increased unemployment, inflation for goods, services or materials, volatility in oil pricing, fluctuations of the United States dollar, rising interest rates in the United States and the rest of the world, a significant act of terrorism which disrupts global trade or consumer confidence, geopolitical tensions including war and civil unrest, reduced levels of economic activity, or disruptions of international transportation.

Typically, our ability to meet our revenue and profitability goals and projections is dependent to a large extent on the orders we receive from our customers within the period and by our ability to match inventory and current production mix with the product mix required to fulfill orders on hand and orders received within a period for delivery in that period. Because of this complexity in our business, no assurance can be given that we will achieve a match of inventory on hand, production units, and shippable orders sufficient to realize quarterly or annual revenue and net income goals.

Volatility in customer demand in the semiconductor industry could affect future levels of revenue and profitability and limit our ability to predict such levels.

Historically, we have maintained low lead times, which have enabled customers to place orders close to their true needs for product. In defining our financial goals and projections, we consider inventory on hand, backlog, production cycles and expected order patterns from customers. If our estimates in these areas are inaccurate, we may not be able to meet our revenue goals and projections. In addition, some customers require us to manufacture product and have it available for shipment, even though the customer is unwilling to make a binding commitment to purchase all, or even some, of the products. As a result, in any quarterly fiscal period we are subject to the risk of cancellation of orders leading to a fall-off of revenue and backlog. Further, those orders may be for products that meet the customer’s unique requirements, such that those cancelled orders would, in addition, result in an inventory of unsalable products, and thus potential inventory write-offs. We routinely estimate inventory reserves required for such products, but actual results may differ from these reserve estimates.

We generate revenue from thousands of customers worldwide and our revenues are diversified by end-market and geographical region. Our results in any period, or sequence of periods, may be positively affected by the fact that a customer has designed one of our products into one of their high selling products. This positive effect may not last, however, as our customers frequently redesign their high selling products, especially to lower their products’ costs. In such redesigns, they may decide to no longer use our product or may seek pricing terms from us that we choose not to accede to, thus resulting in the customer ceasing or significantly decreasing its purchases from us. In addition, the pendency of the Analog Acquisition could cause customers to fear, rightly or wrongly, that the combined company might not continue to offer those of our products that are designed into their products and thus reduce their purchases of our products or consider redesign of their products, even before the Analog Acquisition is anticipated to close. The loss of, or a significant reduction in, purchases by a portion of our customer base, for these or other reasons,

such as changes in purchasing practices, could adversely affect our results of operations. In addition, the timing of customers' inventory adjustments may adversely affect our results of operations.

We may be unsuccessful in developing and selling new products required to maintain or expand our business.

The markets for our products depend on continued demand for our products in the communications, industrial, computer, high-end consumer and transportation end-markets. The semiconductor industry is characterized by rapid technological change, variations in manufacturing efficiencies of new products, and significant expenditures for capital equipment and product development. New product offerings by competitors and customer demands for increasing linear integrated circuit performance or lower prices may render our products less competitive over time, thus necessitating our continual development of new products. New product introductions are thus a critical factor for maintaining or increasing future revenue growth and sustained or increased profitability, but they can present significant business challenges because product development commitments and expenditures must be made well in advance of the related revenues, in some cases years. The success of a new product depends on a variety of factors including accurate forecasts of long-term market demand and future technological developments, accurate anticipation of competitors' actions and offerings, timely and efficient completion of process design and development, timely and efficient implementation of manufacturing and assembly processes, product performance, quality and reliability of the product, and effective marketing, revenue and service.

Although we believe that the high performance segment of the linear integrated circuit market is generally less affected by price erosion or by significant expenditures for capital equipment and product development than other semiconductor market sectors, future operating results may reflect substantial period-to-period fluctuations due to these or other factors.

In addition, with respect to our acquisition of Dust Networks, we may not achieve benefits we expected to achieve, and we may incur write-downs, impairment charges or unforeseen liabilities that could negatively affect our operating results or financial position or could otherwise harm our business.

Our manufacturing operations may be interrupted or suffer yield problems.

We rely on our internal manufacturing facilities located in California and Washington to fabricate most of our wafers. We depend on outside silicon foundries for a small portion (roughly 5%) of our wafer fabrication. We could be adversely affected in the event of a major earthquake, which could cause temporary loss of capacity, loss of raw materials, and damage to manufacturing equipment. Additionally, we rely on our internal and external assembly and testing facilities located in Singapore and Malaysia. We are subject to economic and political risks inherent to international operations, including changes in local governmental policies, currency fluctuations, transportation delays and the imposition of export controls or import tariffs. We could be adversely affected if any such changes are applicable to our foreign operations.

Our manufacturing yields are a function of product design and process technology, both of which are developed by us. The manufacture and design of integrated circuits is highly complex. We may experience manufacturing problems in achieving acceptable yields or experience product delivery delays in the future as a result of, among other things, capacity constraints, equipment malfunctioning, construction delays, upgrading or expanding existing facilities or changing our process technologies, any of which could result in a loss of future revenues or increases in fixed costs. To the extent we do not achieve acceptable manufacturing yields or there are delays in wafer fabrication, our results of operations could be adversely affected. In addition, operating expenses related to increases in production capacity may adversely affect our operating results if revenues do not increase proportionately.

Our dependence on third-party foundries and other manufacturing subcontractors may cause delays beyond our control in delivering our products to our customers.

A portion of our wafers (approximately 15%-20%) are processed offshore by independent assembly subcontractors primarily located in Thailand. These subcontractors separate wafers into individual circuits and assemble them into various finished package types. During periods of increasing demand and volatile lead times, sub-contractors can become over committed and therefore unable to meet all of their customer demand requirements thereby causing inconsistencies in availability of supply. In addition, reliability problems

experienced by our assemblers could cause problems in delivery and quality, resulting in potential product liability to us. We could also be adversely affected by political disorders, labor disruptions, and natural disasters in these locations.

We are dependent on outside silicon foundries for a small portion (roughly 5%) of our wafer fabrication. As a result, we cannot directly control delivery schedules for these products, which could lead to product shortages, quality assurance problems, increases in the cost of our products and delays in delivering our products to our customers. If these foundries are unable or unwilling to produce adequate supplies of processed wafers conforming to our quality standards, our business and relationships with our customers for the limited quantities of products produced by these foundries could be adversely affected. Finding alternate sources of supply or initiating internal wafer processing for these products may not be economically feasible. In addition, the manufacture of our products is a highly complex and precise process, requiring production in a highly controlled environment. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by a third-party foundry could adversely affect the foundry's ability to achieve acceptable manufacturing yields and product reliability.

We rely on third-party vendors for materials, supplies, critical manufacturing equipment and freight services that may not have adequate capacity or may be impacted by outside influences such as natural disasters or material sourcing that could impact our product delivery requirements.

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as chemicals, gases, polysilicon, silicon wafers, ultra-pure metals, lead frames and molding compounds, and subcontract services, like epitaxial growth, ion implantation and assembly of integrated circuits into packages, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer's production. We do not have long-term agreements providing for all of these equipment, materials, supplies, and services, and shortages could occur as a result of capacity limitations or production constraints on suppliers that could have a materially adverse effect on our ability to achieve our planned production.

A number of our products use components that are purchased from third parties. Supplies of these components may not be sufficient to meet all customer requested delivery dates for products containing these components, which could adversely affect future revenue and earnings. Additionally, significant fluctuations in the purchase price for these components could affect gross margins for the products involved. Suppliers could also discontinue the manufacture of such purchased components or could have quality problems that could affect our ability to meet customer commitments.

Our manufacturing processes rely on critical manufacturing equipment purchased from third-party suppliers. During periods of increasing demand we could experience difficulties or delays in obtaining additional critical manufacturing equipment. In addition, suppliers of semiconductor manufacturing equipment are sometimes unable to deliver test and/or fabrication equipment to a schedule or equipment performance specification that meets our requirements. Delays in delivery of equipment needed for growth could adversely affect our ability to achieve our manufacturing and revenue plans in the future.

We rely on third parties including freight forwarders, airlines, and ground transportation companies to deliver our products to customers. Interruptions in the ability of these third parties to deliver our products to customers due to geological events such volcanic eruptions, earthquakes, hurricanes or other such natural disasters may cause a temporary delay in meeting our shipping estimates and schedules.

We are exposed to business, economic, currency, political and other risks through our significant worldwide operations.

During first quarter of fiscal year 2017, 72% of our revenues were derived from customers in international markets. In addition, we have test and assembly facilities in Singapore and Malaysia. Accordingly, we are subject to the economic and political risks inherent in international revenue and operations and their impact on the United States economy in general, including the risks associated with ongoing uncertainties and political and economic instability in many countries around the world, economic disruption from financial and economic declines or turmoil, dysfunction in the credit markets, acts of terrorism, natural disasters or the response to any of the foregoing by the United States and other major countries.

Changes in currency exchange rates where the Company conducts business may impact it financially. As mentioned above, the Company's revenues and billings are transacted in U.S. dollars. Recently, the U.S. dollar has significantly strengthened against other currencies. The strengthening of the U.S. dollar results in the Company's products being more expensive for certain of its international customers. Accordingly, the Company's competitive position may be adversely affected if the U.S. dollar continues to strengthen. The adverse effect to revenue may be partially offset in operating expenses since the Company generally incurs its foreign operating expenses, primarily labor, in the corresponding local currency.

We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.

Our success depends in part on our proprietary technology. While we attempt to protect our proprietary technology through patents, copyrights and trade secret protection, we believe that our success also depends on increasing our technological expertise, continuing our development of new products and providing comprehensive support and service to our customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. We currently hold a number of United States and foreign patents and pending patent applications. However, other parties may challenge or attempt to invalidate or circumvent any patents the United States or foreign governments issue to us or these governments may fail to issue patents for pending applications. In addition, the rights granted or anticipated under any of these patents or pending patent applications may be narrower than we expect or provide no competitive advantages. Furthermore, effective patent, trademark, copyright, maskwork and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. We may incur significant legal costs to protect our intellectual property.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We have received, and may receive in the future, notices of claims of infringement and misappropriation of other parties' proprietary rights. In the event of an adverse decision in a patent, trademark, copyright, maskwork or trade secret action, we could be required to withdraw the product or products found to be infringing from the market or redesign products offered for sale or under development. Whether or not these infringement claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims. In the event of an adverse outcome in any litigation, we may be required to pay substantial damages, including enhanced damages for willful infringement, and incur significant attorneys' fees, as well as indemnify customers for damages they might suffer if the products they purchase from us infringe intellectual property rights of others. We could also be required to stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, discontinue the use of some processes, or obtain licenses to intellectual property rights covering products and technology that we may, or have been found to, infringe or misappropriate such intellectual property rights.

Our products may contain defects that could affect our results of operations.

Our products may contain undetected errors or defects. Such problems may cause delays in product introductions and shipments, result in increased costs and diversion of development resources, cause us to incur increased charges due to obsolete or unusable inventory, require design modifications, or decrease market acceptance or customer satisfaction with these products, which could result in loss of sales or product returns. In addition, we may not find defects or failures in our products until after commencement of commercial shipments, which may result in loss or delay in market acceptance that could significantly harm our operating results. Our current or potential customers also might seek to recover from us any losses resulting from defects or failures in our products; further, such claims might be significantly higher than the revenues and profits we receive from those of our products involved as we are usually a component supplier with limited value content relative to the value of a complete system or sub-system. In most cases we have contractual provisions in our customer contracts that seek to limit our liability to the replacement of the defective parts shipped. Nonetheless, liability claims could require us to spend significant time and money in litigation or to pay significant damages for which we may have insufficient insurance coverage. Any of these claims, whether or not successful, could seriously damage our reputation and business.

If we fail to attract and retain qualified personnel, our business may be harmed.

Our performance is substantially dependent on the performance of our executive officers and key employees. The loss of the services of key officers, technical personnel or other key employees could harm the business. Our success depends on our ability to identify, hire, train, develop and retain highly qualified technical and managerial personnel. Failure to attract and retain the necessary technical and managerial personnel could harm us.

We may not be able to compete successfully in markets within the semiconductor industry in the future.

We compete in the high performance segment of the linear integrated circuit market. Our competitors include among others, Analog Devices, Intersil Corporation, Maxim Integrated Products, Inc. and Texas Instruments, Inc. Competition among manufacturers of linear integrated circuits is intense, and certain of our competitors have significantly greater financial, technical, manufacturing and marketing resources than us. The principal elements of competition include product performance, functional value, quality and reliability, technical service and support, price, diversity of product line and delivery capabilities. We believe we compete favorably with respect to these factors, although we may be at a disadvantage in comparison to larger companies with broader product lines and greater technical service and support capabilities.

Environmental liabilities could force us to expend significant capital and incur substantial costs.

Federal, state and local regulations impose various environmental controls on the storage, use, discharge and disposal of certain chemicals and gases used in semiconductor processing. Our facilities have been designed to comply with these regulations, and we believe that our activities conform to present environmental regulations. Increasing public attention has, however, been focused on the environmental impact of electronics manufacturing operations. While we to date have not experienced any materially adverse business effects from environmental regulations, there can be no assurance that changes in such regulations will not require us to acquire costly remediation equipment or to incur substantial expenses to comply with such regulations. Any failure by us to control the storage, use or disposal of, or adequately restrict the discharge of hazardous substances could subject us to significant liabilities.

Our financial results may be adversely affected by the ongoing drought in California, where we operate one of our wafer fabrication manufacturing facilities.

We rely on our internal manufacturing facilities located in California and Washington to fabricate most of our wafers. California is in its fifth year of drought and while the state government has eased the mandatory residential reduction in statewide water use in May 2016, both state and local governmental authorities will continue to enforce water use restrictions or impose new ones should drought conditions persist. In the future, this drought may impact businesses in the form of rate increases and/or mandatory reductions. Our fabrication process consumes a significant amount of water and we are generally dependent upon water provided by public utilities. We also maintain a well at the California facility; however, we may be restricted on the amount of water we can draw from that well. Restrictions on our access to water could have a significant adverse impact on our business as production at our California facility could be disrupted by the unavailability of water. In addition, we may be charged more for water or fined for deemed excessive usage which could impact our operating margins if we are not able to pass along price increases to our customers.

We are subject to a variety of domestic and international laws and regulations, including those relating to the use of "conflict minerals", U.S. Customs and Export Regulations and the Foreign Corrupt Practices Act.

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the SEC has promulgated disclosure requirements regarding the use of certain minerals (tantalum, tin, tungsten and gold), which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. Certain of our products contain gold, tungsten and tin. As a result of the Dodd-Frank Act, we must annually publicly disclose whether we manufacture (as defined in the Dodd-Frank Act) any products that contain conflict minerals. Additionally, customers typically rely on us to provide critical data regarding the parts they purchase, including conflict mineral information. Our material sourcing is broad-based and multi-tiered, and it is difficult to verify the origins for conflict minerals used in the products we sell. We have many suppliers, and each may provide conflict mineral information in a different manner, if at all. Accordingly, because the supply chain is complex, we may face reputational challenges from being unable to sufficiently verify the origins of conflict minerals used in our products. Additionally, customers may demand that the products they

purchase be free of conflict minerals. This may limit the number of suppliers that can provide products in sufficient quantities to meet customer demand or at competitive prices.

Among other laws and regulations, we are also subject to U.S. Customs and Export Regulations, including U.S. International Traffic and Arms Regulations and similar laws, which collectively control import, export and sale of technologies by companies and various other aspects of the operation of our business, and the Foreign Corrupt Practices Act and similar anti-bribery laws, which prohibit companies from making improper payments to government officials for the purposes of obtaining or retaining business. While our policies and procedures mandate compliance with such laws and regulations, there can be no assurance that our employees and agents will always act in strict compliance. Failure to comply with such laws and regulations may result in civil and criminal enforcement, including monetary fines and possible injunctions against shipment of product or other activities, which could have a material adverse impact on our results of operations and financial condition.

Our financial results may be adversely affected by increased tax rates and exposure to additional tax liabilities.

As a global company, our effective tax rate is highly dependent upon the geographic composition of our worldwide earnings and tax regulations governing each region. We are subject to income taxes in both the United States and various foreign jurisdictions, and significant judgment is required on our part to determine our worldwide tax liabilities. We have a partial tax holiday through July 2025 in Malaysia and a partial tax holiday in Singapore through August 2019. The ability to extend such tax holidays beyond their date of expiration cannot be assured. Our effective tax rate as well as the actual tax ultimately payable could be adversely affected by changes in the split of earnings between countries with differing statutory tax rates, in the valuation of deferred tax assets, in tax laws or by material audit assessments, which could affect our profitability. In addition, if we fail to meet certain conditions to the tax holidays, we may be liable for additional taxes and penalties. The amount of income taxes we pay is subject to ongoing audits in various jurisdictions, and a material assessment by a governing tax authority could affect our profitability. Jurisdictions could change their tax regulations to include profits that were previously exempt.

We have not provided for U.S. federal and state income taxes on a portion of our undistributed earnings of our non-U.S. subsidiaries that are considered permanently reinvested outside the United States. It is our intent to keep these funds permanently reinvested outside of the United States and current plans do not demonstrate a need to repatriate them to fund our U.S. operations, but if in the future we decide to repatriate such foreign earnings to fund U.S. operations, we would incur incremental U.S. federal and state income taxes.

Our stock price may be volatile.

The trading price of our common stock may be subject to wide fluctuations. Our stock price may fluctuate in response to a number of events and factors, such as general United States and world economic and financial conditions, our own quarterly variations in operating results, announcements of technological innovations or new products by us or our competitors, changes in financial estimates and recommendations by securities analysts, the operating and stock price performance of other companies that investors may deem comparable to us, the hedging of our common stock and other derivative transactions by third parties, and new reports relating to trends in our markets or those of our customers. Additionally, lack of positive performance in our stock price may adversely affect our ability to retain key employees.

The stock market in general, and prices for companies in our industry in particular, has experienced extreme volatility that often has been unrelated to the operating performance of a particular company. These broad market and industry fluctuations may adversely affect the price of our common stock, regardless of our operating performance.

Our certificate of incorporation and by-laws include anti-takeover provisions that may enable our management to resist an unwelcome takeover attempt by a third party.

Our organizational documents and Delaware law contain provisions that might discourage, delay or prevent a change in control of our company or a change in our management. Our Board of Directors may also choose to adopt further anti-takeover measures without stockholder approval. The existence and adoption of these provisions could adversely affect the voting power of holders of common stock and limit the price that investors might be willing to pay in the future for shares of our common stock.

A significant disruption in, or breach in security of, our information technology systems could materially and adversely affect our business or reputation.

We rely on information technology systems throughout our organization to process and maintain financial records and employee and customer data, process orders, manage inventory, coordinate shipments to customers, process and maintain personal data and other confidential and proprietary information, assist in semiconductor engineering and other technical activities and operate other critical functions such as internet connectivity, network communications and email. The information technology systems we use in our business may be susceptible to damage, disruptions or shutdowns due to power outages, hardware failures, telecommunication failures, user errors, catastrophes or other unforeseen events. If we were to experience a disruption in the information technology systems that involve our internal communications or our interactions with customers or suppliers, it could result in the loss of sales and customers and significant incremental costs, which could adversely affect our business.

We may also be subject to security breaches or other unauthorized access to, or misuse or acquisition of, personal data or other proprietary or confidential information caused by computer viruses, illegal break-ins or hacking, sabotage, acts of vandalism by third parties, or intentional or inadvertent breaches by our employees or service providers. In addition, we provide our confidential and proprietary information to third-party business partners where necessary to conduct our business. While we employ confidentiality agreements to protect such information, those third parties may also suffer security breaches or otherwise compromise the protection of such information. If any security breaches or unauthorized access to, or use or acquisition of, personal data or other confidential or proprietary information were to occur or believed to have occurred, our relationships with our business partners and customers could be materially damaged, our reputation and brand could be materially harmed, and governmental authorities or affected persons or entities could initiate enforcement actions, investigations, or other legal or regulatory action against us, which could cause us to incur significant fines, expenses and liability or could result in orders, judgments, or consent decrees forcing us to modify our business practices. Any of these events could have a material adverse impact on our business, operating results and financial condition.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth certain information with respect to common stock purchased by the Company for the three-month period ended October 2, 2016.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (2)
Month #1 (July 4, 2016 – July 31, 2016)	—	$ —	—	8,432,795
Month #2 (August 1, 2016 - August 28, 2016)	180,806	59.73	—	8,432,795
Month #3 (August 29, 2016 – October 2, 2016)	—	—	—	8,432,795
Total	180,806	$ 59.73	—	8,432,795

(1) During the quarter ended October 2, 2016, the Company withheld 180,806 shares of restricted stock for $10.8 million to satisfy employee tax withholding requirements related to the vesting of restricted stock awards.

(2) On October 14, 2014, the Company's Board of Directors authorized the Company to purchase up to 10.0 million shares of its outstanding common stock in the open market over a two-year time period.

The Analog Merger Agreement restricts the ability of the Company to repurchase shares of its common stock until the time that the transaction is consummated or the Analog Merger Agreement is terminated.

The Company's common stock price has been, and will likely continue to be, affected by the pending Analog Acquisition.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer and Principal Accounting Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

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

LINEAR TECHNOLOGY CORPORATION

DATE: November 9, 2016

BY /s/ Donald P. Zerio

Donald P. Zerio
Vice President, Finance & Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)