

**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 April 1, 2012

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**

\_\_\_\_\_  
(State or other jurisdiction of  
incorporation or organization)

**94-2778785**

\_\_\_\_\_  
(I.R.S. Employer Identification No.)

**1630 McCarthy Boulevard, Milpitas, California**

\_\_\_\_\_  
(Address of principal executive offices)

**95035**

\_\_\_\_\_  
(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 April 27, 2012

\_\_\_\_\_  
Common Stock, \$0.001 par value per share

\_\_\_\_\_  
230,207,141 shares

**LINEAR TECHNOLOGY CORPORATION**  
**FORM 10-Q**  
**THREE AND NINE MONTHS ENDED APRIL 1, 2012**

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

	Three Months Ended		Nine Months Ended	
	April 1, 2012	April 3, 2011	April 1, 2012	April 3, 2011
Revenues	\$ 312,357	\$ 353,192	\$ 936,610	\$1,125,405
Cost of sales <sup>(1)</sup>	77,662	79,100	231,276	245,434
Gross profit	234,695	274,092	705,334	879,971
Expenses:				
Research and development <sup>(1)</sup>	57,580	55,363	164,988	170,566
Selling, general and administrative <sup>(1)</sup>	37,182	39,693	109,776	124,733
Total operating expenses	94,762	95,056	274,764	295,299
Operating income	139,933	179,036	430,570	584,672
Interest expense <sup>(2)</sup>	(11,904)	(11,707)	(35,563)	(42,415)
Acquisition related costs	—	—	(3,195)	—
Interest and other income	1,152	3,221	3,519	6,739
Income before income taxes	129,181	170,550	395,331	548,996
Provision for income taxes	30,682	28,993	100,546	126,446
Net income	\$ 98,499	\$ 141,557	\$ 294,785	\$ 422,550
Basic earnings per share	\$ 0.42	\$ 0.61	\$ 1.27	\$ 1.83
Shares used in the calculation of basic earnings per share	233,346	231,225	232,568	230,455
Diluted earnings per share	\$ 0.42	\$ 0.61	\$ 1.26	\$ 1.82
Shares used in the calculation of diluted earnings per	234,822	233,277	233,887	232,439
Cash dividends per share	\$ 0.25	\$ 0.24	\$ 0.73	\$ 0.70

**Includes the following charges:**<sup>(1)</sup>Stock-based compensation

Cost of sales	\$ 1,902	\$ 2,202	\$ 5,650	\$ 6,723
Research and development	8,876	9,869	26,372	30,167
Selling, general and administrative	4,580	5,282	13,608	16,137

<sup>(2)</sup>Amortization of debt discount (non- cash interest expense)

5,002	4,726	14,795	16,882
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See accompanying notes

LINEAR TECHNOLOGY CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except par value)

	April 1, 2012 (unaudited)	July 3, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 159,597	\$ 270,523
Marketable securities	952,248	652,014
Accounts receivable, net of allowance for doubtful accounts of \$2,035 (\$2,043 at July 3, 2011)	145,096	169,637
Inventories:		
Raw materials	9,039	9,224
Work-in-process	50,790	45,659
Finished goods	20,027	17,312
Total inventories	79,856	72,195
Deferred tax assets	38,051	38,331
Prepaid expenses and other current assets	29,607	43,590
Total current assets	1,404,455	1,246,290
Noncurrent assets:		
Property, plant and equipment, at cost:		
Land	28,837	28,837
Buildings and improvements	219,789	207,045
Manufacturing and test equipment	650,045	633,066
Office furniture and equipment	5,070	3,652
	903,741	872,600
Accumulated depreciation and amortization	(574,924)	(539,631)
Net Property, plant and equipment	328,817	332,969
Identified intangible assets, net and goodwill	18,735	9,428
Other noncurrent assets	47,338	42,479
Total noncurrent assets	394,890	384,876
Total assets	\$ 1,799,345	\$ 1,631,166
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 10,349	\$ 11,606
Accrued payroll and related benefits	53,034	89,997
Deferred income on shipments to distributors	42,099	47,587
Income taxes payable	12,813	5,255
Other accrued liabilities	34,723	28,361
Total current liabilities	153,018	182,806
Deferred tax liabilities	127,475	110,124
Convertible senior notes	800,526	785,732
Other long-term liabilities	38,210	46,893
Total liabilities	1,119,229	1,125,555
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; 229,484 shares issued and outstanding at April 1, 2012 (227,607 shares at July 3, 2011)	229	227
Additional paid-in capital	1,546,598	1,465,871
Accumulated other comprehensive income, net of tax	580	1,130
Accumulated deficit	(867,291)	(961,617)
Total stockholders' equity	680,116	505,611
Total liabilities and stockholders' equity	\$ 1,799,345	\$ 1,631,166

See accompanying notes

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

	Nine Months Ended	
	April 1, 2012	April 3, 2011
Cash flow from operating activities:		
Net income	\$ 294,785	\$ 422,550
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,762	36,880
Tax (deficit) benefit received on the exercise of stock-based awards	(2,874)	3,415
Stock-based compensation	45,630	53,027
Amortization of convertible senior notes discount	14,795	16,882
Change in operating assets and liabilities:		
Decrease in accounts receivable	25,284	14,452
Increase in inventories	(6,157)	(16,371)
Decrease (increase) in prepaid expenses, other current assets and deferred tax assets	14,269	(8,612)
Decrease in long-term assets	3,008	4,460
Decrease in accounts payable, accrued payroll, other accrued liabilities and long-term liabilities	(42,279)	(37,030)
(Decrease) increase in deferred income on shipments to distributors	(5,488)	4,929
Increase (decrease) in income taxes payable	25,110	(20,282)
Cash provided by operating activities	<u>407,845</u>	<u>474,300</u>
Cash flow from investing activities:		
Purchases of marketable securities	(779,539)	(576,681)
Proceeds from sales and maturities of available-for-sale securities	478,737	614,417
Acquisition, net of cash assumed	(23,365)	—
Purchases of property, plant and equipment	(32,118)	(100,290)
Cash used in investing activities	<u>(356,285)</u>	<u>(62,554)</u>
Cash flow from financing activities:		
Retirement of convertible senior notes	—	(395,830)
Issuance of common stock under employee stock plans	46,641	51,829
Purchases of common stock	(39,340)	(14,025)
Payments of cash dividends	(169,787)	(161,422)
Cash used in financing activities	<u>(162,486)</u>	<u>(519,448)</u>
Decrease in cash and cash equivalents	<u>(110,926)</u>	<u>(107,702)</u>
Cash and cash equivalents, beginning of period	270,523	295,854
Cash and cash equivalents, end of period	<u>\$ 159,597</u>	<u>\$ 188,152</u>

See accompanying notes

LINEAR TECHNOLOGY CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. Basis of Presentation

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. The results for the three- and nine-month periods ended April 1, 2012 are not necessarily an indication of results to be expected for the entire fiscal year. 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, 2011 included in the Company's Annual Report on Form 10-K. The accompanying balance sheet at July 3, 2011 has been derived from those audited financial statements. Because the Company is viewed as a single operating segment for management purposes, no segment information has been disclosed.

*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. During both the third quarter and the first nine months of fiscal year 2012, the Company recognized approximately 16% of net revenues from domestic distributors that 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. At the time of shipment to domestic distributors, the Company records a trade receivable and deferred revenue at the distributor purchasing 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 cost of sales and is recognized as a current liability until such time as the distributor confirms a final sale to its end customer. At April 1, 2012, the Company had approximately \$52.5 million of deferred revenue and \$10.4 million of deferred cost of sales recognized as \$42.1 million of "Deferred income on shipments to distributors." The Company believes that its deferred costs of revenues have limited risk of material impairment as the Company offers stock rotation privileges to distributors (up to 3% to 5% of quarterly purchases) which enable distributors to rotate slow moving inventory. In addition, stock rotated inventory that is returned to the Company is generally resalable. The Company reviews distributor ending on-hand inventory balances, as well as orders placed on the Company to ensure that distributors are not overstocking parts and are ordering to forecasted demand. To the extent the Company had a significant reduction in distributor price or grants significant price rebates, there could be a material impact on the ultimate revenue and gross profit recognized. The price rebates that have been remitted back to distributors have generally ranged from \$2.4 million to \$3.2 million per quarter.

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.

2. Fiscal Period

The Company operates on a 52/53-week fiscal year ending on the Sunday nearest June 30. Fiscal year 2012 is a 52-week year. Fiscal year 2011 was a 53-week fiscal year, with the additional week falling in the quarter ended January 2, 2011.

3. Earnings Per Share

Basic earnings per share is calculated using the weighted average shares of common stock outstanding during the period. Diluted earnings per share is calculated using the weighted average shares of common stock outstanding, plus the dilutive effect of stock options 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:

<i>In thousands, except per share amounts</i>	Three Months Ended		Nine Months Ended	
	April 1, 2012	April 3, 2011	April 1, 2012	April 3, 2011
Numerator-net income	\$ 98,499	\$ 141,557	\$ 294,785	\$ 422,550
Denominator for basic earnings per share-weighted average shares	233,346	231,225	232,568	230,455
Effect of dilutive securities- employee stock options	1,476	2,052	1,319	1,984
Denominator for diluted earnings per share	234,822	233,277	233,887	232,439
Basic earnings per share	\$ 0.42	\$ 0.61	\$ 1.27	\$ 1.83
Diluted earnings per share	\$ 0.42	\$ 0.61	\$ 1.26	\$ 1.82

The weighted average diluted common shares outstanding for the quarter and the nine months ended April 1, 2012 excludes the effect of 7.0 million and 8.5 million, respectively, out-of-the-money stock options, that if included would be anti-dilutive. The weighted average diluted common shares outstanding for the quarter and the nine months ended April 3, 2011 excludes the effect of 11.3 million and 12.2 million, respectively, out-of-the-money stock options, that if included would be anti-dilutive.

#### 4. 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 April 1, 2012:

<i>In thousands</i>	Quoted Prices in Active Markets for Identical Instruments (Level 1)		Significant Other Observable Inputs (Level 2)	Total
Description				
Assets				
Investments in U.S. Treasury securities and money-market funds	\$	256,265	\$ —	\$ 256,265
Investments in municipal bonds, obligations of U.S. government- sponsored enterprises, corporate debt and commercial paper		—	750,200	750,200
Total assets measured at fair value	\$	256,265	\$ 750,200	\$ 1,006,465

## 5. Marketable Securities

The Company's cash equivalents and marketable securities in debt instruments are classified as available-for-sale; most of the debt instruments have an investment rating of AAA. The following is a summary of cash equivalents and marketable securities at April 1, 2012 and July 3, 2011:

April 1, 2012				
<i>In thousands</i>	Amortized Cost	Unrealized Gain	Unrealized (Loss) <sup>(1)</sup>	Fair Value
U.S. Treasury securities	\$ 227,648	\$ 94	\$ (156)	\$ 227,586
Obligations of U.S. government-sponsored enterprises	165,274	211	(38)	165,447
Municipal bonds	455,000	822	(40)	455,782
Corporate debt securities and other	128,939	40	(8)	128,971
Money market funds	28,679	—	—	28,679
Total	<u>\$ 1,005,540</u>	<u>\$ 1,167</u>	<u>\$ (242)</u>	<u>\$ 1,006,465</u>
Amounts included in:				
Cash equivalents	\$ 54,217	\$ —	\$ —	\$ 54,217
Marketable securities	951,323	1,167	(242)	952,248
Total	<u>\$ 1,005,540</u>	<u>\$ 1,167</u>	<u>\$ (242)</u>	<u>\$ 1,006,465</u>

  

July 3, 2011				
<i>In thousands</i>	Amortized Cost	Unrealized Gain	Unrealized (Loss) <sup>(1)</sup>	Fair Value
U.S. Treasury securities	\$ 158,019	\$ 285	\$ —	\$ 158,304
Obligations of U.S. government-sponsored enterprises	119,542	272	—	119,814
Municipal bonds	270,203	618	(3)	270,818
Corporate debt securities and other	130,211	342	(19)	130,534
Money market funds	106,397	—	—	106,397
Total	<u>\$ 784,372</u>	<u>\$ 1,517</u>	<u>\$ (22)</u>	<u>\$ 785,867</u>
Amounts included in:				
Cash equivalents	\$ 133,853	\$ —	\$ —	\$ 133,853
Marketable securities	650,519	1,517	(22)	652,014
Total	<u>\$ 784,372</u>	<u>\$ 1,517</u>	<u>\$ (22)</u>	<u>\$ 785,867</u>

<sup>(1)</sup> The Company evaluated the nature of the investments with a loss position at April 1, 2012 and July 3, 2011, 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 April 1, 2012 and July 3, 2011.

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

<i>In thousands</i>	April 1, 2012	July 3, 2011
Due in one year or less	\$ 526,814	\$ 387,755
Due after one year through three years	425,434	264,259
Total	<u>\$ 952,248</u>	<u>\$ 652,014</u>

## 6. Stock-based Compensation

### **Equity Incentive Plans**

At April 1, 2012, 19.6 million shares were available for grant under the Company's equity incentive plans. The Company's restricted awards generally vest annually over a period of five years (20% a year) based upon continued employment with the Company. Options also generally become exercisable over a five-year period (generally 10% every six months) based upon continued employment. Options granted prior to January 11, 2005 expire ten years after the date of grant; options granted after January 11, 2005 expire seven years after the date of the grant.

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 April 1, 2012, 1.4 million shares were available for issuance under the ESPP.

### **Accounting for Stock-Based Compensation**

Compensation cost for restricted stock awards is based on the fair market value of the Company's stock on the date of grant. 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 Company amortizes the compensation cost straight-line over the vesting period, which is generally five years. The Black-Scholes valuation model requires the Company to estimate key assumptions such as expected option term, stock price volatility and forfeiture rates 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.

As of April 1, 2012, there was approximately \$140.3 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 five years. Future grants will add to this total, whereas quarterly amortization and the vesting of the existing grants will reduce this total.

The Company issues new shares of common stock upon exercise of stock options. For the nine months ended April 1, 2012, options for approximately 1.7 million shares were exercised for a gain to the optionee (aggregate intrinsic value) of \$14.1 million determined as of the dates of the option exercises.

### **Stock Options**

The following table summarizes stock option activity and related information under all stock option plans during the period indicated:

	Stock Options Outstanding	Weighted- Average Exercise Price
Outstanding options, July 3, 2011	17,543,589	\$ 31.38
Granted	—	—
Forfeited and expired	(2,399,300)	37.11
Exercised	(1,728,449)	24.72
Outstanding options, April 1, 2012	13,415,840	\$ 31.21
Options vested and exercisable at:		
April 1, 2012	10,935,200	\$ 33.13

### **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
Nonvested at July 3, 2011	5,202,056	\$ 30.37
Granted	1,648,306	30.92
Vested	(1,350,149)	30.06
Forfeited	(82,964)	30.28
Nonvested at April 1, 2012	5,417,249	\$ 30.62

## 7. Comprehensive Income

Accumulated other comprehensive income consists of unrealized gains or losses on available-for-sale securities. The components of comprehensive income were as follows:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	April 1, 2012	April 3, 2011	April 1, 2012	April 3, 2011
Net income	\$ 98,499	\$ 141,557	\$ 294,785	\$ 422,550
Changes in unrealized gains on available-for-sale securities	325	(345)	(550)	(873)
Total comprehensive income	\$ 98,824	\$ 141,212	\$ 294,235	\$ 421,677

## 8. Acquisition

On December 20, 2011, the Company acquired 100% of the outstanding stock of privately held Dust Networks ("Dust") of Hayward, California, a provider of low power wireless sensor network technology. The acquisition of Dust will enable the Company to offer a complete high performance wireless sensor networking solution. Dust's low power radio and software technology complements the Company's strengths in industrial instrumentation, power management and energy harvesting technology. The consideration associated with the acquisition was approximately \$25.2 million including \$1.7 million for Dust acquisition expenses that were expensed immediately. The Company will pay additional consideration over a two year period of up to \$2.8 million in cash, based on the duration of service performed by certain acquired key employees.

The Company allocated the Dust purchase price to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair value at the date of acquisition resulting in the recognition of \$13.1 million of intellectual property, \$4.0 million of customer relationships, \$2.2 million of goodwill and \$3.6 million in net tangible assets.

No supplemental pro-forma information is presented for the acquisition due to the immaterial effect of the acquisition on the Company's results of operations. The Company recognized \$3.2 million of acquisition related costs that were expensed in the quarter ended January 1, 2012.

## 9. Goodwill and Intangible Assets

### Goodwill

As a result of the acquisition of Dust during the second quarter of fiscal year 2012 the Company recorded \$4.9 million in goodwill. The goodwill balance was reduced by \$2.7 million during the quarter ended April 1, 2012 to recognize the expected benefit of Dust's net operating loss carryforwards, which can be offset against future Linear taxable income. The Company will annually evaluate 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.

Activity and goodwill balances for the nine months ended April 1, 2012 were as follows:

<i>In thousands</i>	Goodwill
Balance at July 3, 2011	\$ —
Acquisition	4,866
Adjustments	(2,681)
Balance at April 1, 2012	<u>\$ 2,185</u>

### **Intangible Assets**

As a result of the acquisition of Dust during the second quarter of fiscal year 2012 the Company recorded the following intangible assets: \$13.1 million of intellectual property and \$4.0 million of 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 is expected to reflect the estimated pattern of economic use.

Amortization expense related to technology licenses that were acquired not as part of the Dust acquisition was \$1.4 million and \$4.2 million for the quarter and the nine-month period ended April 1, 2012, respectively.

The remaining amortization expense, related to finite-lived intangible assets, will be recognized over a weighted-average period of approximately 6.5 years. The useful lives of amortizable intangible assets are as follows:

Assets	Life
Intellectual property	5-10 years
Customer relationships	10 years
Technology licenses	10 years

Intangible assets consisted of the following:

<i>In thousands</i>	April 1, 2012		
	Original Cost	Accumulated Amortization	Net
Intellectual property	\$ 13,100	\$ (450)	\$ 12,650
Customer relationships	4,000	(100)	3,900
Technology licenses	56,570	(51,934)	4,636
Total intangible assets	<u>\$ 73,670</u>	<u>\$ (52,484)</u>	<u>\$ 21,186</u>

## 10. Convertible Senior Notes

During the fourth quarter of fiscal year 2007, the Company issued \$1.0 billion aggregate principal amount of its 3.00% Convertible Senior Notes due May 1, 2027 (the “2027A notes”) and \$700.0 million aggregate principal amount of its 3.125% Convertible Senior Notes due May 1, 2027 (the “2027B notes” and, together with the 2027A notes, the “Notes”) to an initial purchaser in a private offering. The Company received net proceeds from the issuance of the Notes of \$1,678.0 million after the deduction of issuance costs of \$22.0 million. The Company used the entire net proceeds of the offering to fund a portion of its repurchase of \$3.0 billion of its common stock pursuant to an accelerated stock repurchase transaction it entered into with an affiliate of the initial purchaser of the Notes simultaneously with the offering of the Notes. The Company redeemed for cash \$395.8 million (the remaining principal amount) of its 2027B notes on November 1, 2010 using a portion of its existing cash and marketable securities balances. Through the third quarter of fiscal year 2012 the Company has repurchased \$154.9 million (principal amount) of its 2027A notes, resulting in approximately \$845.1 million (principal amount) of debt outstanding as of April 1, 2012. At April 1, 2012, no shares related to the Notes were included in the computation of diluted earnings per share.

At April 1, 2012, the conversion rate of the 2027A notes was 23.0465 shares of common stock per \$1,000 principal amount of the 2027A notes, subject to adjustment upon the occurrence of certain events as described in the Indenture for the 2027A notes (including the payment of dividends). The payment of the dividend approved by the Company's Board of Directors in April 2012 will cause a further minor adjustment in the conversion rate of the Notes. The Company may redeem all or some of the 2027A notes for cash at any time on or after May 1, 2014, and holders may require the Company to repurchase the 2027A notes for cash on specified dates beginning May 1, 2014 or upon a fundamental change.

The 2027A notes pay cash interest of 3.00% which is payable semiannually in arrears on May 1 and November 1. As a result of adopting the provisions of ASC 470-20-10 to 35 during the first quarter ended September 27, 2009, the Company recognizes an effective interest rate of 5.69% on the carrying value of the 2027A notes. The effective rate is based on the interest rates of similar instruments issued at the time of issuance of the Notes that do not have conversion features such as the Notes. The differences between the effective interest rates of 5.69% and the coupon rate of 3.00%, results in non-cash interest expense that will never be paid by the Company.

The carrying values of the liability and equity components of the Notes are reflected in the Company's consolidated balance sheets as follows:

<i>In thousands</i>	April 1, 2012	July 3, 2011
Liability components		
Principal amount of the Notes	\$ 845,088	\$ 845,088
Unamortized discount of liability component	(44,562)	(59,356)
Carrying value of liability component	<u>\$ 800,526</u>	<u>\$ 785,732</u>
Equity component-net carrying value	<u>\$ 122,639</u>	<u>\$ 122,639</u>

Interest expense related to the Notes included in interest expense on the consolidated statements of income was recognized as follows:

<i>In thousands</i>	Three Months Ended		Nine Months Ended	
	April 1, 2012	April 3, 2011	April 1, 2012	April 3, 2011
Contractual coupon interest	\$ 6,338	\$ 6,338	\$ 19,014	\$ 23,138
Amortization of debt discount	5,002	4,726	14,795	16,882
Amortization of debt issuance costs	475	475	1,424	1,828
Total interest expense related to the Notes	<u>\$ 11,815</u>	<u>\$ 11,539</u>	<u>\$ 35,233</u>	<u>\$ 41,848</u>

#### 11. 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 such occurrences. Warranty expense historically has been negligible.

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, that it might be required to make as a result of these agreements, and accordingly, the Company has not accrued any amounts for its indemnification obligations.

#### 12. 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 April 1, 2012, the Company's other long-term liabilities account includes \$30.5 million of unrecognized tax benefits which, if the Company's positions on these tax matters are upheld, would favorably impact its effective income tax rate in future periods. 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 April 1, 2012.

### 13. 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.

### 14. Recently Issued Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2011-05, *Presentation of Comprehensive Income*. ASU 2011-05 requires entities to present the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 which is the Company's fiscal year 2013. The adoption of ASU No. 2011-05 will affect the presentation of comprehensive income but will not impact the Company's financial condition or results of operations.

In September 2011, FASB issued ASU 2011-08, *Test Goodwill for Impairment*. ASU 2011-08 simplifies how entities test goodwill for impairment. ASU 2011-08 permits the Company to assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit's goodwill is less than its carrying value. If after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is more than its carrying amount, then it is unnecessary to perform the two-step impairment test as defined in previously issued standards. ASU 2011-08 is effective for the Company in fiscal 2013 and earlier adoption is permitted. The Company is evaluating the impact ASU 2011-08 will have on its consolidated financial statements.

## 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 three decades. The Company's products provide an essential bridge between our analog world and the digital electronics in communications, networking, industrial, automotive, 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.

Quarterly revenues of \$312.4 million for the third quarter of fiscal year 2012 increased \$18.0 million or 6% over the previous quarter's revenue of \$294.3 million and decreased \$40.8 million or 12% from \$353.2 million reported in the third quarter of fiscal year 2011. Net income of \$98.5 million increased \$10.6 million or 12% over the second quarter of fiscal year 2012 and decreased \$43.1 million or 30% from the third quarter of fiscal year 2011. Diluted earnings per share of \$0.42 per share in the third quarter of fiscal year 2012 increased \$0.04 per share or 11% over the second quarter of fiscal year 2012 and declined \$0.19 per share or 31% from the third quarter of fiscal year 2011.

### Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies during the three months and nine months ended April 1, 2012, 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, 2011.

### Results of Operations

The table below summarizes the income statement items for the three and nine months ended April 1, 2012 and April 3, 2011 as a percentage of total revenue and provides the percentage change in absolute dollars of such items comparing the interim period ended April 1, 2012 to the corresponding period from the prior fiscal year:

	Three Months Ended			Nine Months Ended		
	April 1, 2012	April 3, 2011	Increase/ (Decrease)	April 1, 2012	April 3, 2011	Increase/ (Decrease)
Revenues	100.0%	100.0%	(12)%	100.0%	100.0%	(17)%
Cost of sales	24.9	22.4	(2)	24.7	21.8	(6)
Gross profit	75.1	77.6	(14)	75.3	78.2	(20)
Expenses:						
Research and development	18.4	15.7	4	17.6	15.2	(3)
Selling, general and administrative	11.9	11.2	(6)	11.7	11.1	(12)
	30.3	26.9	—	29.3	26.2	(7)
Operating income	44.8	50.7	(22)	46.0	52.0	(26)
Interest expenses	(3.8)	(3.3)	2	(3.8)	(3.8)	(16)
Acquisition related costs	—	—	—	(0.3)	—	—
Interest and other income	0.4	0.9	(64)	0.4	0.6	(48)
Income before income taxes	41.4%	48.3%	(24)	42.3%	48.8%	(28)
Tax rate	23.75%	17.0%		25.43%	23.0%	

In each of the last three years, changes in the global macroeconomic climate have had a significant impact on the Company's revenues. In the second half of fiscal 2009 and the first half of fiscal year 2010 the Company's results were adversely affected by the worldwide recession attributed to global credit availability issues. In the second half of fiscal 2010, as well as fiscal 2011, the Company experienced a snapback from the recession. Revenues increased rapidly resulting in extended lead times which caused customers to over order so that they would have adequate safety stock inventory. In the first and second quarters of fiscal year 2012, there were once again negative global macroeconomic concerns due to European sovereign debt issues and similar debt and unemployment issues in the United States which dampened economic growth. In the third quarter of fiscal 2012 some of these

concerns have subsided as unemployment issues have slightly improved and European debt issues appear to be being treated more aggressively. All of the above have contributed to unusually large swings in quarterly year over year revenue comparisons over the past three years.

Revenue for the quarter ended April 1, 2012 was \$312.4 million, a decrease of \$40.8 million or 12% from revenue of \$353.2 million for the same quarter of the previous fiscal year. The decrease in revenue was due to a declining global macroeconomic environment compared to the previous fiscal year. During the first and second quarters of fiscal year 2012 the Company saw a slow down in orders as global economic sluggishness appeared to affect the ordering patterns of our customers. In response to this sluggishness, customers lowered their inventory balances. However, in the third quarter of fiscal 2012 the Company grew revenues 6% sequentially over the second quarter of fiscal 2012. In addition, the Company saw bookings improvements over the second quarter in each of its major end-markets lead by the industrial and automotive end-markets.

Revenue for the quarter ended April 1, 2012 decreased over the prior fiscal year quarter due to a lower number of units shipped, while the average selling price ("ASP") remained flat. The number of units shipped decreased by approximately 13% from 196.9 million units in the third quarter of fiscal year 2011 to 171.6 million units in the third quarter of fiscal year 2012. The ASP of \$1.81 per unit in the third quarter of fiscal year 2012 was flat compared to the ASP of \$1.80 per unit in the third quarter of fiscal year 2011.

Geographically, revenues for the quarter ended April 1, 2012 decreased in each major geographical region compared to the same quarter of the previous fiscal year. International revenues for the quarter ended April 1, 2012 were \$220.1 million or 70% of revenues, a decrease of \$32.8 million as compared to international revenues of \$252.9 million or 72% of revenues for the same period in the previous fiscal year. Revenues for the quarter ended April 1, 2012 for Rest of the World ("ROW"), which is primarily Asia excluding Japan, represented \$107.6 million or 34% of revenues, while sales to Europe and Japan were \$65.1 million or 21% of revenues and \$47.4 million or 15% of revenues, respectively. Domestic revenues were \$92.3 million or 30% of revenues in the third quarter of fiscal year 2012, a decrease of \$8.0 million from \$100.3 million or 28% of revenues in the same period of fiscal year 2011.

Revenue for the nine months ended April 1, 2012 was \$936.6 million, a decrease of \$188.8 million or 17% from revenue of \$1,125.4 million for the same period of the previous fiscal year. The decrease in revenues for the nine months ended April 1, 2012 from the same period of the previous fiscal year was due to similar factors as the third fiscal quarter described above. In addition, in the current fiscal year the Company sold fewer products used in computer tablets. The total number of units shipped decreased by approximately 23% from 664.7 million units in the nine months ended April 3, 2011 to 513.3 million units in the current fiscal year. The ASP for the nine months ended April 1, 2012 was higher at \$1.81 per unit as compared to \$1.70 per unit in the same period of fiscal year 2011. The ASP increased in the current fiscal year due to the Company having a smaller percentage of revenues used in computer tablets and a higher percentage of revenues in the industrial and automotive business with higher ASP's.

Geographically, revenues for the nine months ended April 1, 2012 decreased in each major geographical region compared to the same period of the previous fiscal year. International revenues for the nine months ended April 1, 2012 were \$665.1 million or 71% of revenues, a decrease of \$154.5 million as compared to international revenues of \$819.6 million or 73% of revenues for the same period in the previous fiscal year. Revenues for the nine months ended April 1, 2012 for ROW, represented \$334.0 million or 36% of revenues, while sales to Europe and Japan were \$181.0 million or 19% of revenues and \$150.1 million or 16% of revenues, respectively. Domestic revenues were \$271.5 million or 29% of revenues for the nine months ended April 1, 2012, a decrease of \$34.3 million from \$305.8 million or 27% of revenues in the same period of fiscal year 2011.

Gross profit of \$234.7 million for the quarter ended April 1, 2012 decreased \$39.4 million or 14% from gross profit of \$274.1 million in the third quarter of fiscal year 2011. Gross profit of \$705.3 million for the nine months ended April 1, 2012 decreased \$174.6 million or 20% from gross profit of \$880.0 million in the same period of fiscal year 2011. Gross profit as a percentage of revenues decreased to 75.1% in the third quarter of fiscal year 2012 as compared to 77.6% for the same period in the previous fiscal year. Gross profit as a percentage of revenues decreased to 75.3% for the nine months ended April 1, 2012 as compared to 78.2% for the same period in the previous fiscal year. The decrease in gross profit as a percentage of revenues for the three and nine months ended April 1, 2012 was primarily due to spreading fixed costs over a lower sales base, partially offset by higher ASP's and lower employee profit sharing.

Research and development ("R&D") expense for the quarter ended April 1, 2012 was \$57.6 million, an increase of \$2.2 million or 4% over R&D expense of \$55.4 million for the same period in the previous fiscal year. R&D increased \$2.5 million due to higher labor costs primarily due to increased headcount from the Dust acquisition that occurred at the end of the second quarter of fiscal 2012. In addition, other R&D expenses increased \$2.1 million due to other R&D expenses such as mask costs, depreciation, supplies and \$0.5 million of intangible amortization related to Dust. Offsetting these increases was a \$1.9 million

decrease to the employee profit sharing accrual and a \$1.0 million decrease in stock-based compensation.

R&D expense for the nine months ended April 1, 2012 was \$165.0 million, a decrease of \$5.6 million or 3% from R&D expense of \$170.6 million for the same period in the previous fiscal year. The decrease in R&D expense was primarily due to a \$8.3 million decrease in employee profit sharing and a \$3.8 million decrease in stock-based compensation costs. Offsetting these decreases was a \$3.2 million increase in compensation costs primarily due to increased headcount from the Dust acquisition and an increase in annual merit compensation. In addition, other R&D expenses increased \$2.8 due to higher costs such as masks, depreciation, supplies and \$0.5 million of intangible amortization related to Dust.

Selling, general and administrative expense ("SG&A") for the quarter ended April 1, 2012 was \$37.2 million, a decrease of \$2.5 million or 6% from SG&A expense of \$39.7 million for the same period in the previous fiscal year. The decrease in SG&A expense was primarily due to a \$1.7 million decrease in employee profit sharing and a \$0.7 million decrease in stock-based compensation costs. In addition, other SG&A expenses decreased \$1.1 million primarily due to lower advertising costs. Offsetting these decreases was a \$1.0 million increase in compensation costs due to increased headcount and an increase in annual merit compensation.

SG&A for the nine months ended April 1, 2012 was 109.8 million, a decrease of \$15.0 million or 12% from SG&A expense of \$124.7 million for the same period in the previous fiscal year. The decrease in SG&A expenses was primarily due to a \$6.8 million decrease in legal expense due to the prior year period having a one-time legal charge of \$5.3 million. In addition, SG&A expense decreased due to a \$6.4 million decrease in employee profit sharing and a \$2.5 million decrease in stock-based compensation costs. Other SG&A expenses decreased \$1.4 million primarily due to lower advertising costs. Offsetting these decreases was a \$2.1 million increase in compensation costs due to increased headcount and an increase in annual merit compensation.

Interest expense was \$11.9 million and \$35.6 million, respectively, for the third quarter and the nine months ended April 1, 2012, an increase of \$0.2 million and a decrease of \$6.9 million, respectively, from the corresponding periods of fiscal year 2011. Interest expense decreased for the nine months ended April 1, 2012 due to the cash redemption of \$395.8 million of the Company's 3.0% Convertible Senior Notes on November 1, 2010.

The Company incurred \$3.2 million in transaction costs related to the acquisition of Dust Networks during the second quarter of fiscal 2012. Included in the \$3.2 million were \$1.7 million of Dusts acquisition expenses.

Interest income was \$1.2 million and \$3.5 million, respectively, for the third quarter and the nine months ended April 1, 2012, decreases of \$2.1 million and \$3.2 million, respectively, from the corresponding periods of fiscal year 2011. Interest income decreased because the prior year periods interest income included a gain of \$1.7 million due to the settlement of a lawsuit during the third quarter of fiscal year 2011. In addition, interest income decreased due to a decrease in the average interest rate earned on the Company's cash, cash equivalents and marketable securities balances.

The Company's effective income tax rate for the third quarter of fiscal year 2012 was 23.75% as compared to 17% in the same quarter of fiscal year 2011. The increase in the effective income tax rate from the prior year period was primarily due to lower quarterly discrete tax benefits recognized in the third quarter of fiscal 2012. During the prior year period the Company recognized discrete tax benefits totaling \$16.2 million while in the third quarter of fiscal 2012 the Company realized \$4.2 million of discrete tax benefits. The prior year period included the reversal of estimated liabilities for uncertain tax benefits primarily as a result of an IRS settlement and the lapse of the statutory audit period for fiscal 2007. In the third fiscal quarter of 2012, discrete tax benefits resulted primarily from the reversal of estimated liabilities for uncertain tax benefits pertaining to the lapse of the statutory audit period for fiscal 2008 and benefits realized from fiscal 2011 upon completion and filing of the Company's U.S. Federal income tax return.

The Company's effective tax rate for the first nine months of fiscal year 2012 was 25.4% as compared to 23.0% in the same period of fiscal year 2011, primarily as a result of lower discrete tax benefits recognized in fiscal 2012 as noted above. The Company's effective income tax rate for both periods excluding quarterly discrete tax benefits was 26.5%.

### **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.

The Company's revenues increased 6% from the second quarter of fiscal year 2012, in-line with the mid-point of the Company's guidance given at the beginning of the quarter. This was a transitional quarter for the Company as it returned to growth in revenue and profit after two consecutive quarters of revenue and profit declines. Bookings began to improve at the end of the second quarter and were stronger in each month of the March quarter over the corresponding months of the prior quarter. Bookings improved in each of the Company's major end-markets led by industrial and automotive. The Company had a positive book to bill ratio in the March quarter. The Company's operating margin of 45% was similar to last quarter. The Company's third quarter results include Dust Networks, which was acquired in late December 2011. While revenues from Dust in the quarter were not significant, Dust's operating expenses included in the Company's consolidated results had a minor negative impact on operating margins and net income.

Given the improvement in bookings and the broad distribution of this strength across all of the Company's major end-markets, we expect quarterly sequential revenue growth in the 4% to 8% range in the June quarter. In addition, we expect operating income and operating margin to improve.

Although the Company believes that it has the product lines, manufacturing facilities and technical and financial resources for its current operations, sales and profitability could be significantly affected by factors described above and other factors. Additionally, the Company's common stock could be subject to significant price volatility should sales and/or earnings fail to meet expectations of the investment community.

### **Liquidity and Capital Resources**

At April 1, 2012, the Company's cash, cash equivalents and marketable securities balances were \$1.1 billion in aggregate, representing an increase of \$189.3 million over the July 3, 2011 balances of \$922.5 million. The increase was primarily due to positive cash flows from operations of \$407.8 million which was offset by \$23.4 million to acquire Dust Networks; \$39.3 million to purchase common stock, of which \$25.2 million was used to purchase 884,600 shares of the Company's common stock in the open market and \$14.1 million to purchase shares to satisfy minimum statutory withholding requirements related to the vesting of employee restricted stock awards; \$32.1 million for capital additions; and \$169.8 million for the payment of cash dividends, representing \$0.73 per share for the first nine months of fiscal year 2012. Working capital at April 1, 2012 was \$1.3 billion.

Accounts receivable totaled \$145.1 million at the end of the third quarter of fiscal year 2012, a decrease of \$24.5 million from the July 3, 2011 balance of \$169.6 million. The decrease is primarily due to lower shipments in the third quarter of fiscal year 2012 as compared to the fourth quarter of fiscal year 2011. Inventory totaled \$79.9 million at the end of the third quarter of fiscal year 2012, an increase of \$7.7 million over the fourth quarter of fiscal year 2011. The increase in inventory was primarily due to an increase in the Company's work in process inventory and to a lesser extent, due to inventory acquired as a result of the Dust Networks acquisition.

Net property, plant and equipment decreased \$4.2 million from the fourth quarter of fiscal year 2011 due to fixed assets additions of \$32.1 million offset by \$36.3 million in depreciation expense. The additions were for equipment in all of the Company's facilities to increase capacity. Goodwill and intangible assets increased \$9.3 million over the fourth quarter of fiscal year 2011 resulting from the acquisition of Dust Networks.

Accrued payroll and related benefits decreased \$37.0 million from the fourth quarter of fiscal year 2011 primarily due to a decrease in the profit sharing accrual balance. The Company accrues for profit sharing on a quarterly basis, but distributes payouts to employees on a semi-annual basis during the first and third quarters of each fiscal year.

In April 2012, the Company's Board of Directors declared a cash dividend of \$0.25 per share. The dividend will be paid on May 30, 2012 to stockholders of record on May 18, 2012. The payment of future dividends will be based on the Company's financial performance.

Historically, the Company has satisfied its liquidity needs through cash generated from operations. Given its financial condition and historical operating performance, the Company believes that current capital resources and cash generated from operating activities will be sufficient to meet its liquidity, capital expenditures requirements, and debt retirement for the near future.

### **Off Balance-Sheet Arrangements**

As of April 1, 2012, the Company had no off-balance sheet financing arrangements.

## Contractual Obligations

In April 2007, the Company issued \$1.0 billion principal amount of its 3.0% Convertible Senior Notes due May 1, 2027. Through the third quarter of fiscal year 2012, the Company has retired \$154.9 million in face value, leaving a remaining balance of \$845.1 million. The Company pays cash interest at an annual rate of 3.0%, payable semiannually on November 1 and May 1 of each year. See Note 8 to the consolidated financial statements, included in Part 1, "Financial Information," for additional information.

## Fair Value

As of April 1, 2012, the Company's cash equivalents and marketable securities investments in debt securities had a fair value of \$1,006.5 million. The Company's cash equivalents and marketable securities investment portfolio consists of money-market funds, U.S. Treasury securities, obligations of U.S. government-sponsored enterprises, municipal bonds, commercial debt and corporate debt securities. See Note 5 to the consolidated financial statements, included in Part 1, "Financial Information," for additional information. Most of the Company's investments in debt instruments have an investment rating of AA+ to AAA.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

For additional quantitative and qualitative disclosures about market risk affecting the Company, see item 7A of the Company's Form 10-K for the fiscal year ended July 3, 2011. There have been no material changes in the market risk affecting the Company since the filing of the Company's Form 10-K for fiscal year 2011. At April 1, 2012, the Company's cash and cash equivalents, and marketable securities consisted of money-market funds, U.S. Treasury securities, obligations of U.S. government sponsored enterprises, municipal bonds, commercial debt and corporate debt securities. The Company did not hold any derivative financial instruments. The Company's interest income is sensitive to changes in the general level of interest rates. In this regard, changes in interest rates can affect the interest earned on cash and cash equivalents and short-term investments.

The Company's revenues outside the United States are transacted in U.S. dollars; accordingly the Company's revenues are not impacted by foreign currency rate changes. To date, fluctuations in foreign currency exchange rates have had a minor impact on the results of operations.

### Item 4. Controls and Procedures

#### (a) *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*, as defined in Rules 13a-15(c) and 15d-15 (e) under the Securities Exchange Act of 1934 (15 U.S.C 78a et seq.) (the "Exchange Act") 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 Exchange Act 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 Exchange Act 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 April 1, 2012. 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 Exchange Act at a reasonable assurance level 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

#### (b) *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 Exchange Act) occurred during the quarter ended April 1, 2012 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

***Erratic consumer and/or corporate spending 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 automotive 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 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, higher energy prices, or other conditions, could adversely affect our revenues and profitability. The Company's customers have been reducing their inventories more than we anticipated. The impact of general economic sluggishness relating to US and European debt and unemployment issues appear to have left customers cautious, causing them to delay or reduce orders for our products until the current economic picture becomes clearer.

***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, 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 sales 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 become 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 sales and backlog. Further, those orders may be for products that meet the customer's unique requirements so 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. The loss of, or a significant reduction in purchases by a portion of our customer base, for this 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 automotive 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 sales 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. 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, sales 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 recent 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 (less than 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 increased 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 5% to 15%) are processed offshore by independent assembly subcontractors located in Malaysia and 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 (less than 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 and increases in the cost of our products. We may experience 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 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 of 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 the components, which could adversely affect future sales 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 products 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, political and other risks through our significant worldwide operations.***

During the third quarter of fiscal year 2012, 70% of our revenues were derived from customers in international markets. Also, the Company has test and assembly facilities in Singapore and Malaysia. Accordingly, we are subject to the economic and political risks inherent in international sales 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 as well as the 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. In the past year, natural disasters in Japan and Thailand have affected the global marketplace.

***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, in fact 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 undertaken 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 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 and 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 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. 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 market. Our competitors include among others, Analog Devices, Inc., Intersil, Maxim Integrated Products, Inc. and Texas Instruments, Inc. Competition among manufacturers of linear integrated circuits is intense, and certain of our competitors may 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 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 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 to determine worldwide tax liabilities. 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, 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. Finally, jurisdictions could change their tax regulations to include profits that were previously exempt.

***We are leveraged, and our debt obligations may affect our business, operating results and financial condition.***

On April 1, 2012, we have debt outstanding of \$845.1 million aggregate principal amount of our 3.00% Convertible Senior Notes due May 1, 2027 (the “2027A Notes” or the “Notes”). Debt service obligations arising from the Notes could adversely affect us in a number of ways, including by:

- limiting our ability to obtain in the future, if needed, financing for working capital, capital expenditures, debt service requirements or other corporate purposes;
- limiting our flexibility in implementing our business strategy and in planning for, or reacting to, changes in our business;
- placing us at a competitive disadvantage relative to any of our competitors who have lower levels of debt;
- decreasing our debt ratings and increasing our cost of borrowed funds;
- making us more vulnerable to a downturn in our business or the economy generally;
- subjecting us to the risk of being forced to refinance at higher interest rates these amounts when due; and
- requiring us to use a substantial portion of our cash to pay principal and interest on our debt instead of contributing those funds to other purposes such as working capital, capital expenditures or other corporate purposes.

***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. As our Notes are convertible into shares of our common stock, volatility or depressed prices of our common stock could have a similar effect on the trading price of our Notes. In addition, to the extent we deliver common stock on conversion of the Notes, the ownership interests of our existing stockholders may be diluted. Sales in the public market of common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock, as could the anticipated conversion of the Notes.

***We may not have the ability to repurchase the Notes or to pay cash upon their conversion if and as required by the indentures governing the Notes.***

Holders of the Notes have the right to require us to repurchase the Notes for cash on specified dates or upon the occurrence of a fundamental change.

The \$845.1 million principal amount of our 2027A Notes can be redeemed by us at any time on or after May 1, 2014. We presently intend to repurchase the 2027A Notes on May 1, 2014, however, we may not have sufficient funds to repurchase the

2027A Notes in cash or have the ability to arrange necessary financing on acceptable terms. In addition, upon conversion of the 2027A Notes we will be required to make cash payments to the holders of the 2027A Notes equal to the lesser of the principal amount of the 2027A Notes being converted and the conversion value of those 2027A Notes. Such payments could be significant, and we may not have sufficient funds to make them at such time. Moreover, even if we do have sufficient funds to repurchase the 2027A Notes and make any additional required payments, doing so could reduce our working capital below levels that we believe are necessary or appropriate for the ongoing operation of our business. In such case, we might be forced to raise additional financing at the time of the repurchase or thereafter until cash generated from operations can restore working capital to the desired level.

Our failure to repurchase the Notes or convert the Notes into cash or a combination of cash and shares upon exercise of a holder's conversion right in accordance with the provisions of the indentures would constitute a default under the applicable indenture. In addition, a default under either indenture could lead to a default under existing and future agreements governing our indebtedness. If, due to a default, the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and the Notes.

A fundamental change may also constitute an event of default under, or result in the acceleration of the maturity of, our then-existing indebtedness. In addition, our ability to repurchase the Notes in cash or make any other required payments may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time.

***The terms of the 2027A Notes and related provisions in the indentures subject noteholders to risks. Noteholders should be aware of the following risks, in addition to those described for holders of our common stock:***

- We are not restricted from taking actions or incurring additional debt (including secured debt) which may affect our ability to make payments under the Notes,
- The Notes are not secured by any of our assets or those of our subsidiaries and are effectively subordinated to any secured debt we may incur. In any liquidation, dissolution, bankruptcy or other similar proceeding, holders of our secured debt may assert rights against any assets securing such debt in order to receive full payment of their debt before those assets may be used to pay the holders of the Notes. In such an event, we may not have sufficient assets remaining to pay amounts due on any or all of the Notes. In addition, none of our subsidiaries have guaranteed our obligations under, or have any obligation to pay any amounts due on, the Notes. As a result, the Notes are effectively subordinated to all liabilities of our subsidiaries, including trade payables,
- The fundamental change provisions in the Notes and the indentures may not require us to offer to repurchase the Notes in the event of certain transactions. For example, any leveraged recapitalization, refinancing, restructuring, or acquisition initiated by us will generally not constitute a fundamental change requiring us to repurchase the Notes;
- The liquidity of the trading market in the Notes, and the market price quoted for these Notes, may be adversely affected by, among other things, changes in, or other factors affecting, the market prices of our common stock, changes in the overall market for debt securities, and prevailing interest rates,
- The conversion rates of the Notes may not adjust for certain events, such as a third-party tender or exchange offer or an issuance of our common stock for cash. In addition, adjustments in conversion rates may not adequately compensate noteholders for any lost value in the Notes as a result of a particular transaction,
- The sale of the Notes and the shares of common stock issuable upon conversion of the Notes depends upon the continued maintenance of a registration statement filed with the SEC covering the resale of the Notes, or an exemption from the registration requirements of the Securities Act and any applicable state securities laws; and,
- Noteholders are not entitled to any rights as holders of our common stock although, given that the Notes are convertible into shares of our common stock, they may be affected by any change relating to the common stock.

***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.

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

c) Stock Repurchases

Period	Total Number of Shares Purchased	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 <sup>(1)</sup>
Month #1 (January 2, 2012 – January 29, 2012)	-			-
Month #2 (January 30, 2012 – February 26, 2012)	-	-	-	-
Month #3 (February 27, 2012 – April 1, 2012)	-	-	-	-
Total	-	-	-	8,615,400

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 withholding requirements that the Company pays in cash to the appropriate taxing authorities on behalf of its employees. These withheld shares are not included in the common stock repurchase totals in the preceding table, they are treated as common stock repurchases in our financial statements, as they reduce the number of shares that would have been issued upon vesting.

<sup>(1)</sup> On October 12, 2010, 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.

Item 3. Defaults Upon Senior Securities

N/A

Item 4. Mine Safety Disclosures

N/A

Item 5. Other Information

N/A

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 Selling, general and administrative
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: May 3, 2012

BY /s/Paul Coghlan

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Paul Coghlan

Vice President, Finance &

Chief Financial Officer

(Duly Authorized Officer and  
Principal Financial Officer)

**CERTIFICATION 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**

**Principal Executive Officer**

I, Lothar Maier, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Linear Technology Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: May 3, 2012

/s/ Lothar Maier

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Lothar Maier

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION 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**

**Principal Financial Officer and Principal Accounting Officer**

I, Paul Coghlan, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Linear Technology Corporation;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses, in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: May 3, 2012

/s/ Paul Coghlan

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Paul Coghlan

Vice President and Chief Financial Officer (Principal  
Financial Officer and Principal Accounting Officer)

**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**

I, Lothar Maier, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Linear Technology Corporation on Form 10-Q for the quarterly period ended April 1, 2012, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Linear Technology Corporation.

DATE: May 3, 2012

By: /s/ Lothar Maier

Name: Lothar Maier

Title: Chief Executive Officer

I, Paul Coghlan, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of Linear Technology Corporation on Form 10-Q for the quarterly period ended April 1, 2012, as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Linear Technology Corporation.

DATE: May 3, 2012

By: /s/ Paul Coghlan

Name: Paul Coghlan

Title: Chief Financial Officer