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

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 2, 2011

or

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

For the transition period from ____________ to ____________

Commission File Number 0-14864

LINEAR TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐

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

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

Yes ☐ No ☒

Shares outstanding of the registrant's common stock:

Class	Outstanding at October 28, 2011
Common Stock, $0.001 par value per share	227,766,514 shares

LINEAR TECHNOLOGY CORPORATION
FORM 10-Q
THREE MONTHS ENDED OCTOBER 2, 2011

INDEX

Item 1. Financial Statements

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

	Three Months Ended	
	October 2, 2011	September 26, 2010
Revenues	$ 329,920	$ 388,592
Cost of sales [1]	79,793	83,731
Gross profit	250,127	304,861
Expenses:		
Research and development [1]	54,889	56,202
Selling, general and administrative [1]	37,672	44,082
Total operating expenses	92,561	100,284
Operating income	157,566	204,577
Interest expense[2]	(11,803)	(17,183)
Interest and other income	1,221	1,916
Income before income taxes	146,984	189,310
Provision for income taxes	38,583	52,060
Net income	$ 108,401	$ 137,250
Basic earnings per share	$ 0.47	$ 0.60
Shares used in the calculation of basic earnings per share	231,863	229,367
Diluted earnings per share	$ 0.47	$ 0.59
Shares used in the calculation of diluted earnings per share	232,985	231,073
Cash dividends per share	$ 0.24	$ 0.23
Includes the following charges:		
[1]Stock-based compensation		
Cost of sales	$ 1,904	$ 2,183
Research and development	8,887	9,767
Selling, general and administrative	4,586	5,241
[2]Amortization of debt discount (non- cash interest expense)	4,862	6,766

See accompanying notes

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

	October 2, 2011 (unaudited)	July 3, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 163,414	$ 270,523
Marketable securities	804,258	652,014
Accounts receivable, net of allowance for doubtful accounts of $2,041 ($2,043 at July 3, 2011)	161,920	169,637
Inventories:		
Raw materials	11,048	9,224
Work-in-process	47,101	45,659
Finished goods	16,452	17,312
Total inventories	74,601	72,195
Deferred tax assets	36,657	38,331
Prepaid expenses and other current assets	27,563	43,590
Total current assets	1,268,413	1,246,290
Property, plant and equipment, at cost:		
Land	28,837	28,837
Buildings and improvements	216,401	207,045
Manufacturing and test equipment	642,238	633,066
Office furniture and equipment	3,722	3,652
	891,198	872,600
Accumulated depreciation and amortization	(550,782)	(539,631)
Net Property, plant and equipment	340,416	332,969
Other noncurrent assets	50,512	51,907
Total assets	$ 1,659,341	$ 1,631,166
Liabilities and stockholders’ equity		
Current liabilities:		
Accounts payable	$ 8,429	$ 11,606
Accrued payroll and related benefits	58,130	89,997
Deferred income on shipments to distributors	42,171	47,587
Income taxes payable	28,065	5,255
Other accrued liabilities	32,211	28,361
Total current liabilities	169,006	182,806
Deferred tax liabilities	110,901	110,124
Convertible senior notes	790,593	785,732
Other long-term liabilities	45,642	46,893
Total liabilities	1,116,142	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; 227,159 shares issued and outstanding at October 2, 2011 (227,607 shares at July 3, 2011)	227	227
Additional paid-in capital	1,474,991	1,465,871
Accumulated other comprehensive income, net of tax	511	1,130
Accumulated deficit	(932,530)	(961,617)
Total stockholders’ equity	543,199	505,611
Total liabilities and stockholders’ equity	$ 1,659,341	$ 1,631,166

See accompanying notes

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

	Three Months Ended	
	October 2, 2011	September 26, 2010
Cash flow from operating activities:		
Net income	$ 108,401	$ 137,250
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,340	11,502
Tax (deficit) benefit received on the exercise of stock-based awards	(485)	639
Stock-based compensation	15,377	17,191
Amortization of convertible senior notes discount	4,862	6,766
Change in operating assets and liabilities:		
Decrease (increase) in accounts receivable	7,717	(29,049)
Increase in inventories	(2,406)	(4,316)
Decrease in prepaid expenses, other current assets and deferred tax assets	17,254	3,134
(Increase) decrease in long-term assets	(19)	869
(Decrease) increase in accounts payable, accrued payroll, other accrued liabilities and long-term liabilities	(32,446)	1,138
Decrease in deferred income on shipments to distributors	(5,416)	(1,886)
Increase in income taxes payable	23,681	36,337
Cash provided by operating activities	149,860	179,575
Cash flow from investing activities:		
Purchases of marketable securities	(272,318)	(134,270)
Proceeds from sales and maturities of available-for-sale securities	119,808	243,274
Purchases of property, plant and equipment	(19,374)	(38,795)
Cash (used in) provided by investing activities	(171,884)	70,209
Cash flow from financing activities:		
Issuance of common stock under employee stock plans	1,128	11,863
Purchases of common stock	(30,717)	(5,523)
Payments of cash dividends	(55,496)	(52,826)
Cash used in financing activities	(85,085)	(46,486)
(Decrease) increase in cash and cash equivalents	(107,109)	203,298
Cash and cash equivalents, beginning of period	270,523	295,854
Cash and cash equivalents, end of period	$ 163,414	$ 499,152

See accompanying notes

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 month period ended October 2, 2011 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 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 the first quarter of fiscal year 2012, the Company recognized approximately 15% 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 October 2, 2011, the Company had approximately $52.7 million of deferred revenue and $10.5 million of deferred cost of sales recognized as $42.2 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:

In thousands, except per share amounts	Three Months Ended October 2, 2011	Three Months Ended September 26, 2010
Numerator - net income	$ 108,401	$ 137,250
Denominator for basic earnings per share- weighted average shares	231,863	229,367
Effect of dilutive securities – employee stock options	1,122	1,706
Denominator for diluted earnings per share	232,985	231,073
Basic earnings per share	$ 0.47	$ 0.60
Diluted earnings per share	$ 0.47	$ 0.59

The weighted average diluted common shares outstanding for the quarter ended October 2, 2011 excludes the effect of 9.4 million 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 October 2, 2011:

In thousands Description	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Investments in U.S. Treasury securities and money-market funds	$ 183,332	$ —	$ 183,332
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises, corporate debt and commercial paper	—	671,205	671,205
Total assets measured at fair value	$ 183,332	$ 671,205	$ 854,537

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 October 2, 2011 and July 3, 2011:

	October 2, 2011			
In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss) [1]	Fair Value
U.S. Treasury securities	$ 155,973	$ 287	$ (2)	$ 156,258
Obligations of U.S. government-sponsored enterprises	155,534	230	(38)	155,726
Municipal bonds	372,943	840	(175)	373,608
Corporate debt securities and other	141,784	97	(10)	141,871
Money market funds	27,074	—	—	27,074
Total	$ 853,308	$ 1,454	$ (225)	$ 854,537
Amounts included in:				
Cash equivalents	$ 50,279	$ —	$ —	$ 50,279
Marketable securities	803,029	1,454	(225)	804,258
Total	$ 853,308	$ 1,454	$ (225)	$ 854,537

	July 3, 2011			
In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss) [1]	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	$ 784,372	$ 1,517	$ (22)	$ 785,867
Amounts included in:				
Cash equivalents	$ 133,853	$ —	$ —	$ 133,853
Marketable securities	650,519	1,517	(22)	652,014
Total	$ 784,372	$ 1,517	$ (22)	$ 785,867

[1] The Company evaluated the nature of the investments with a loss position at October 2, 2011 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 October 2, 2011 and July 3, 2011.

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

In thousands	October 2, 2011	July 3, 2011
Due in one year or less	$ 477,838	$ 387,755
Due after one year through three years	326,420	264,259
Total	$ 804,258	$ 652,014

6. Stock-based Compensation

Equity Incentive Plans

At October 2, 2011, 19.9 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 October 2, 2011, 1.6 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 October 2, 2011, there was approximately $146.3 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 quarter ended October 2, 2011, options for approximately 0.1 million shares were exercised for a gain to the optionee (aggregate intrinsic value) of $0.2 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	(379,500)	37.75
Exercised	(51,690)	24.05
Outstanding options, October 2, 2011	17,112,399	$ 31.26
Options vested and exercisable at:		
October 2, 2011	13,970,999	$ 33.18

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	884,340		29.62
Vested	(571,052)		31.87
Forfeited	(19,211)		30.75
Nonvested at October 2, 2011	5,496,133	$	30.08

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:

	Three Months Ended			
In thousands	October 2, 2011		September 26, 2010	
Net income	$	108,401	$	137,250
Changes in unrealized gains on available-for-sale securities		(619)		(85)
Total comprehensive income	$	107,782	$	137,165

8. 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 first 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 October 2, 2011. At October 2, 2011, no shares related to the Notes were included in the computation of diluted earnings per share.

At October 2, 2011, the conversion rate of the 2027A notes was 22.6723 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 October 2011 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:

In thousands	October 2, 2011	September 26, 2010
Liability components		
Principal amount of the Notes	$ 845,088	$ 1,240,917
Unamortized discount of liability component	(54,495)	(74,265)
Carrying value of liability component	$ 790,593	$ 1,166,652
Equity component-net carrying value	$ 122,639	$ 122,639

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

	Three Months Ended	
In thousands	October 2, 2011	September 26, 2010
Contractual coupon interest	$ 6,338	$ 9,431
Amortization of debt discount	4,862	6,766
Amortization of debt issuance costs	475	778
Total interest expense related to the Notes	$ 11,675	$ 16,975

9. 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.

10. Income Taxes

The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. As of October 2, 2011, the Company's other long-term liabilities account includes $36.0 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 $3.1 million accrued for interest at October 2, 2011.

11. Contingencies

Litigation

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

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

Overview

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

Quarterly revenues of $329.9 million for the first quarter of fiscal year 2012 decreased $28.6 million or 8% from the previous quarter's revenue of $358.6 million and decreased $58.7 million or 15% from $388.6 million reported in the first quarter of fiscal year 2011. Net income of $108.4 million decreased $49.8 million or 32% from the fourth quarter of fiscal year 2011 and decreased $28.8 million or 21% from the first quarter of fiscal year 2011. Net income for the fourth quarter of fiscal year 2011 benefited from a lower tax rate of 9.5% compared to the first quarter of fiscal year 2012 rate of 26.25%. Diluted earnings per share of $0.47 per share in the first quarter of fiscal year 2012 decreased $0.21 per share or 31% from the fourth quarter of fiscal year 2011, of which $0.11 or 16% was due to the lower tax rate in the prior period, and declined $0.12 per share or 20% from the first 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 ended October 2, 2011, 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 months ended October 2, 2011 and September 26, 2010 as a percentage of total revenue and provides the percentage change in absolute dollars of such items comparing the interim period ended October 2, 2011 to the corresponding period from the prior fiscal year:

	Three Months Ended		
	October 2, 2011	September 26, 2010	Increase/ (Decrease)
Revenues	100.0%	100.0%	(15)%
Cost of sales	24.2	21.5	(5)
Gross profit	75.8	78.5	(18)
Expenses:			
Research and development	16.6	14.5	(2)
Selling, general and administrative	11.4	11.3	(15)
	28.0	25.8	(8)
Operating income	47.8	52.7	(23)
Interest expense	(3.6)	(4.4)	(31)
Interest and other income	0.4	0.4	(36)
Income before income taxes	44.6%	48.7%	(22)
Tax rate	26.25%	27.5%	

In each of the last three years, changes in the global macroeconomic climate have had a significant impact on the Company's revenues. In fiscal year 2010 the Company's first quarter results were adversely affected by the worldwide recession attributed to global credit availability issues. The next fiscal year, the snapback from the recession caused revenues to increase rapidly resulting in extended lead times which caused customers to over order so that they would have adequate safety stock inventory. In the first quarter of fiscal year 2012, there are once again negative global macroeconomic concerns due to European sovereign debt issues and similar debt and unemployment issues in the United States which are dampening economic growth. All of the above have contributed to unusually large swings in quarterly revenues over the past three years.

Revenue for the quarter ended October 2, 2011 was $329.9 million, a decrease of $58.7 million or 15% from revenue of $388.6 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 and due to lower computer tablet sales. During the third and fourth quarters of fiscal year 2011 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. During the first quarter of fiscal year 2012, orders from the Company's industrial, communications, consumer and military/space end-markets continued to weaken because of further inventory tightening and some lower end-demand. However, orders from the Company's automotive end-market grew and orders from the Company's computer end-market were flat.

Revenue for the quarter ended October 2, 2011 decreased due to a decrease in the number of units shipped offset by an increase in the average selling price ("ASP"). The number of units shipped decreased by approximately 22% from 232.3 million units in the first quarter of fiscal year 2011 to 181.4 million units in the first quarter of fiscal year 2012. The ASP of $1.78 per unit in the first quarter of fiscal year 2012 was higher than the ASP of $1.65 per unit in the first quarter of fiscal year 2011 primarily due to first quarter of fiscal year 2012 having a smaller percentage of computer tablet business and a higher percentage of industrial business with higher ASP's. In addition, ASP was favorably impacted by more automotive business as a percent of sales. Parts in the industrial and automotive end-markets tend to have higher ASP's than the computer tablet and consumer end-markets.

Geographically, revenues for the quarter ended October 2, 2011 decreased in each major geographical region except for Japan, compared to the same quarter of the previous fiscal year. International revenues for the quarter ended October 2, 2011 were $235.7 million or 71% of revenues, a decrease of $50.2 million as compared to international revenues of $285.9 million or 74% of revenues for the same period in the previous fiscal year. Revenues for the quarter ended October 2, 2011 for Rest of the World ("ROW"), which is primarily Asia excluding Japan, represented $116.6 million or 35% of revenues, while sales to Europe and Japan were $64.8 million or 20% of revenues and $54.2 million or 16% of revenues, respectively. Domestic revenues were $94.2 million or 29% of revenues in the first quarter of fiscal year 2012, a decrease of $8.5 million from $102.7 million or 26% of revenues in the same period of fiscal year 2011.

Gross profit of $250.1 million for the quarter ended October 2, 2011 decreased $54.7 million or 18% from gross profit of $304.9 million in the first quarter of fiscal year 2011. Gross profit as a percentage of revenues decreased to 75.8% in the first quarter of fiscal year 2012 as compared to 78.5% for the same period in the previous fiscal year. The decrease was primarily due to spreading fixed costs over a lower sales base. In addition, in fiscal year 2012 there were some factory inefficiencies resulting from temporary plant shutdowns in response to lower sales. Lastly, certain factory expenses were higher due to depreciation and raw material costs, primarily gold. In the prior fiscal year the Company invested heavily in its capital equipment to increase its capacity to catch-up with the post recession demand mentioned above. Accordingly, this investment in capital equipment caused depreciation expense to increase in the current fiscal year.

Research and development ("R&D") expense for the quarter ended October 2, 2011 was $54.9 million, a decrease of $1.3 million or 2% from R&D expense of $56.2 million for the same period in the previous fiscal year. The decrease in R&D expense was primarily due to a $2.7 million decrease in employee profit sharing and a $0.8 million decrease in stock-based compensation costs. Offsetting these decreases were a $1.6 million increase in compensation costs due to increased headcount and an increase in merit compensation related to annual reviews, and a $0.6 million increase in other R&D expenses.

Selling, general and administrative expense ("SG&A") for the quarter ended October 2, 2011 was $37.7 million, a decrease of $6.4 million or 15% from SG&A expense of $44.1 million for the same period in the previous fiscal year. The decrease in SG&A expenses was primarily due to a $6.1 million decrease in legal expense due to the prior year quarter having a one-time legal charge of $5.3 million. In addition, SG&A expense decreased due to a $1.9 million decrease in employee profit sharing and a $0.7 million decrease in stock-based compensation costs. Offsetting these decreases was a $1.3 million increase in compensation costs due to increased headcount and an increase in merit compensation related to annual reviews. In addition, other SG&A expenses increased $1.0 million.

Interest expense for the quarter ended October 2, 2011 was $11.8 million, a decrease of $5.4 million from the corresponding period of fiscal year 2011. The decrease in interest expense was primarily due to the cash redemption of $395.8 million (the remaining principal amount) of the 2027B notes on November 1, 2010.

Interest and other income for the quarter ended October 2, 2011 was $1.2 million, a decrease of $0.7 million from the corresponding period of fiscal year 2011. Interest income decreased due to a decrease in the average interest rate earned on the Company's cash, cash equivalents and marketable securities balances and due to lower cash, cash equivalent and marketable securities balances as a result of the cash redemption of $395.8 million (principal amount) of the 2027B notes on November 1, 2010.

.

The Company's tax rate for the first quarter of fiscal year 2012 was 26.25% as compared to 27.5% in the same quarter of fiscal year 2011. The decrease in the effective income tax rate from the prior year period was primarily due to lower state income taxes and the reinstatement of the Research and Development ("R&D") tax credit during the Company's second quarter of fiscal year 2011. The R&D tax credit is set to expire once again at December 31, 2011. Accordingly, the effective income tax rate for the current fiscal year includes the benefit of the R&D tax credit for half the fiscal year through December 31, 2011, whereas the prior year quarter included no R&D tax benefit. State income taxes are lower primarily due to lower income apportioned to the state of California in accordance with new state tax legislation.

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; increases 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 declined 8% in the first fiscal quarter of fiscal year 2012 compared to the preceding fourth quarter of fiscal 2011. At the end of the fourth quarter of fiscal year 2011 and in the beginning of the first quarter of fiscal year 2012, the Company saw a slowdown in orders due to global economic sluggishness. This sluggishness affected the ordering patterns of the Company's customers as they continued to work down their inventory balances of the Company's products and therefore reduced or delayed new orders. At the beginning of the first quarter the Company expected that this would be a temporary slowdown and that orders would pick up in the latter half of the first quarter as inventories and orders were balanced against end customer demand. This did occur in a few of the Company's end-markets, notably the automotive end-market. However, business in the Company's industrial and communications end-markets continued to soften through the quarter as it appears that end-demand has weakened. Consequently, the Company expects many of its customers, particularly in the industrial and communications end-markets to have year-end shutdowns and thereby delay new orders for inventory procurement into the new calendar year. Accordingly, the Company expects another difficult quarter of declining revenues and earnings, with revenues down 9%-13% sequentially in the second quarter. During these difficult business cycles, the Company will take measures to curtail spending and limit the impact of lower revenues on profitability. The Company expects operating income as a percentage of sales to be in the mid to low-forty percent range depending on sales in the second quarter. As it has demonstrated in the past, the Company expects to maintain its industry leading operating margin as a percentage of sales during these periods of economic uncertainty at these levels.

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 October 2, 2011, the Company's cash, cash equivalents and marketable securities balances were $967.7 million in aggregate, representing an increase of $45.1 million over the July 3, 2011 balances of $922.5 million. The increase was primarily due to positive cash flows from operations of $149.9 million which was offset by $30.7 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 $5.5 million was used to purchase shares to satisfy minimum statutory withholding requirements related to the vesting of employee restricted stock awards; $19.4 million for capital additions; and $55.5 million for the payment of cash dividends, representing $0.24 per share for the first quarter of fiscal year 2012. Working capital at October 2, 2011 was $1,099.4 million.

Accounts receivable totaled $161.9 million at the end of the first quarter of fiscal year 2012, a decrease of $7.7 million from the July 3, 2011 balance of $169.6 million. The decrease is primarily due to lower shipments in the first quarter of fiscal year 2012 as compared to the fourth quarter of fiscal year 2011. Inventory totaled $74.6 million at the end of the first quarter of fiscal year 2012, an increase of $2.4 million over the fourth quarter of fiscal year 2011. The increase in inventory was primarily in work in process and raw materials.

Net property, plant and equipment increased $7.5 million over the fourth quarter of fiscal year 2011 due to fixed assets additions of $19.4 million offset by $11.9 million in depreciation expense. The additions were for equipment in all of the Company's facilities to increase capacity.

Accrued payroll and related benefits decreased $31.9 million from the fourth quarter of fiscal year 2011 primarily due to the payment of employee profit sharing. 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. Income taxes payable totaled $28.1 million at the end of the first quarter of fiscal year 2012, an increase of $22.8 million from the fourth quarter of fiscal year 2011 primarily due to the quarterly tax provision and no significant quarterly tax payments during the quarter.

In October 2011, the Company's Board of Directors declared a cash dividend of $0.24 per share. The dividend will be paid on November 30, 2011 to stockholders of record on November 18, 2011. The payments 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 October 2, 2011, 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 first 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 October 2, 2011, the Company's cash and cash equivalents, and marketable securities investment portfolio had a fair value of $854.5 million. The Company's cash and 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. 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 October 2, 2011, 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 October 2, 2011. 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 October 2, 2011 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.

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 first quarter of fiscal year 2012, 71% 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. Currently, global economic conditions could be adversely affected by the recent earthquake and tsunami in Japan.

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 October 2, 2011, 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 [1]**
Month #1 (July 4, 2011 – July 31, 2011)	-			-
Month #2 (August 1, 2011 – August 28, 2011)	884,600	$28.5154	884,600	884,600
Month #3 (August 29, 2011 – October 2, 2011)	-	-	-	-
Total	884,600	$28.5154	884,600	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.

[1] 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. (Removed and Reserved)

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: November 3, 2011

BY /s/Paul Coghlan

Paul Coghlan
Vice President, Finance &
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Exhibit 31.1

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: November 3, 2011

/s/ Lothar Maier

Lothar Maier
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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: November 3, 2011

/s/ Paul Coghlan

Paul Coghlan

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

Exhibit 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

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 October 2, 2011 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:	November 3, 2011	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 October 2, 2011 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:	November 3, 2011	By:	/s/ Paul Coghlan
		Name:	Paul Coghlan
		Title:	Chief Financial Officer