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 September 27, 2015
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 23, 2015
Common Stock, $0.001 par value per share	239,145,059 shares

LINEAR TECHNOLOGY CORPORATION
QUARTERLY REPORT ON FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended	
	September 27, 2015	September 28, 2014
Revenues	$ 341,917	$ 371,060
Cost of sales(1)	85,205	89,007
Gross profit	256,712	282,053
Expenses:		
Research and development (1)	66,602	65,600
Selling, general and administrative(1)	40,193	42,089
Total operating expenses	106,795	107,689
Operating income	149,917	174,364
Interest income and other income	987	581
Income before income taxes	150,904	174,945
Provision for income taxes	38,857	45,486
Net income	$ 112,047	$ 129,459
Basic earnings per share	$ 0.46	$ 0.53
Shares used in the calculation of basic earnings per share	244,863	244,145
Diluted earnings per share	$ 0.46	$ 0.53
Shares used in the calculation of diluted earnings per share	245,234	244,801
Cash dividends per share	$ 0.30	$ 0.27

Includes the following non-cash charges:

(1) Stock-based compensation		
Cost of sales	$ 2,342	$ 2,100
Research and development	10,922	9,791
Selling, general and administrative	5,638	5,056

See accompanying notes

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	Three Months Ended	
	September 27, 2015	September 28, 2014
Net income	$ 112,047	$ 129,459
Other comprehensive income, net of tax:		
Net changes in unrealized gains (losses) on available-for-sale securities	438	(197)
Total comprehensive income	$ 112,485	$ 129,262

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

As of	September 27, 2015	June 28, 2015
Assets		
Cash and cash equivalents	$ 217,468	$ 195,679
Marketable securities	1,027,525	1,007,043
Accounts receivable, net of allowances ($1,651) and ($1,651 as of June 28, 2015)	153,672	179,264
Inventories:		
Raw materials	10,351	10,668
Work-in-process	65,463	66,572
Finished goods	20,324	22,621
Total inventories	96,138	99,861
Deferred tax assets	48,336	48,493
Prepaid expenses and other current assets	57,587	54,412
Total current assets	1,600,726	1,584,752
Property, plant and equipment, at cost:		
Land	28,837	28,837
Buildings and improvements	246,701	243,977
Manufacturing and test equipment	737,216	730,719
Office furniture and equipment	6,779	6,727
Gross property, plant and equipment	1,019,533	1,010,260
Accumulated depreciation and amortization	(734,329)	(722,518)
Net property, plant and equipment	285,204	287,742
Identified intangible assets, net and goodwill	11,035	11,585
Total noncurrent assets	296,239	299,327
Total assets	$ 1,896,965	$ 1,884,079
Liabilities and stockholders' equity		
Accounts payable	$ 13,920	$ 17,608
Accrued payroll and related benefits	69,058	98,498
Deferred income on shipments to distributors	47,228	46,860
Income taxes payable	39,843	5,822
Other accrued liabilities	15,247	14,130
Total current liabilities	185,296	182,918
Deferred tax liabilities	87,185	85,612
Other long-term liabilities	39,157	37,622
Total liabilities	311,638	306,152
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; 239,090 shares issued and outstanding (239,751 as of June 28, 2015)	239	240
Additional paid-in capital	2,065,156	2,052,250
Accumulated other comprehensive income, net of tax	999	561
Accumulated deficit	(481,067)	(475,124)
Total stockholders' equity	1,585,327	1,577,927
Total liabilities and stockholders' equity	$ 1,896,965	$ 1,884,079

See accompanying notes

LINEAR TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Three Months Ended	
	September 27, 2015	September 28, 2014
Cash flow from operating activities:		
Net income	$ 112,047	$ 129,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	13,248	13,214
Stock-based compensation	18,902	16,947
Excess tax benefit from stock-based compensation	(1,627)	(2,202)
Change in operating assets and liabilities:		
Accounts receivable	25,592	(2,154)
Inventories	3,723	(6,332)
Prepaid expenses, other current assets and deferred tax assets	(2,572)	511
Accounts payable, accrued payroll, other accrued liabilities and noncurrent liabilities	(31,886)	(20,304)
Deferred income on shipments to distributors	368	1,086
Income taxes payable	37,947	6,151
Cash provided by operating activities	175,742	136,376
Cash flow from investing activities:		
Purchase of marketable securities	(294,496)	(219,215)
Proceeds from sale and maturities of available-for-sale securities	274,692	192,789
Purchase of property, plant and equipment	(10,160)	(26,917)
Cash used in investing activities	(29,964)	(53,343)
Cash flow from financing activities:		
Excess tax benefit from stock-based compensation	1,627	2,202
Issuance of common stock under employee stock plans	4,253	3,323
Purchase of common stock	(56,557)	(34,086)
Payment of cash dividends	(73,312)	(65,739)
Cash used in financing activities	(123,989)	(94,300)
Increase (decrease) in cash and cash equivalents	21,789	(11,267)
Cash and cash equivalents, beginning of year	195,679	157,323
Cash and cash equivalents, end of period	$ 217,468	$ 146,056

See accompanying notes

1. Description of Business and Significant Accounting Policies

Description of Business

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

Basis of Presentation

The accompanying interim financial statements and information are unaudited; however, in the opinion of management, all adjustments necessary for a fair and accurate presentation of the interim results in conformity with U.S. generally accepted accounting principles (“GAAP”) have been made. All such adjustments were of a normal recurring nature. All information reported in this Form 10-Q should be read in conjunction with the Company’s annual consolidated financial statements for the fiscal year ended June 28, 2015 included in the Company’s Annual Report on Form 10-K. The accompanying year-end balance sheet data has been presented for comparative purposes from the audited financial statements. The results of operations for any interim period are not necessarily indicative of, nor comparable to, the results of operations for any other interim period or for a full fiscal year.

The Company operates on a 52/53-week fiscal year ending on the Sunday nearest June 30. Fiscal years 2015, 2014 and 2013 were 52-week years. Fiscal year 2016 will be a 53-week fiscal year, with the additional week falling in the second quarter of fiscal year 2016.

Cash Equivalents and Marketable Securities

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

Investments with maturities over three months at the time of purchase are classified as marketable securities. At September 27, 2015 and June 28, 2015, the Company’s marketable securities balance consisted primarily of debt securities in municipal bonds, corporate bonds, commercial paper, U.S. and foreign government and agency securities. The Company’s marketable securities are managed by outside professional managers within investment guidelines set by the Company. The Company’s investment guidelines generally restrict the professional managers to high quality debt instruments with a credit rating of AAA. Within the Company’s investment policy there is a provision that allows the Company to hold AA+ securities under certain circumstances. The Company’s investments in debt securities are classified as available-for-sale. Investments in available-for-sale securities are reported at fair value with unrealized gains and losses, net of tax, as a component of “Accumulated other comprehensive income” in the Consolidated Balance Sheets. The Company classifies investments with maturities greater than twelve months as current as it considers all investments as a potential source of operating cash regardless of maturity date. The cost of securities matured or sold is based on the specific identification method.

Revenue Recognition

The Company recognizes revenues when the earnings process is complete, when persuasive evidence of an arrangement exists, the product has been delivered, the price is fixed and determinable and collection is reasonably assured. For the three months ended September 27, 2015, the Company recognized approximately 16% of net revenues from North American ("domestic") distributors. Domestic distributor revenues are recognized under agreements which provide for certain sales price rebates and limited product return privileges. Given the uncertainties associated with the levels of pricing rebates, the ultimate sales price on domestic distributor sales transactions is not fixed or determinable until domestic distributors sell the merchandise to the end-customer. Domestic distributor agreements permit the following: price protection on certain domestic distribution inventory if the Company lowers the prices of its products; exchanges up to 5% of certain purchases on a quarterly basis; and ship and debit transactions. Ship and debit transactions occur when the Company agrees to accept a lower selling price for a specific quantity of product at the request of the domestic distributor in order to complete a sales transaction in the domestic distributor channel. For such sales, the Company rebates the negotiated price decrease to the distributor upon shipment as a reduction in the accounts receivable from the distributor.

At the time of shipment to domestic distributors, the Company records a trade receivable and deferred revenue at the distributor's purchase price since there is a legally enforceable obligation from the distributor to pay for the products delivered. The Company relieves inventory as title has passed to the distributor and recognizes deferred cost of sales in the same amount. "Deferred income on shipments to distributors" represents the difference between deferred revenue and deferred costs of sales and is recognized as a current liability until such time as the distributor confirms a final sale to its end customer. "Deferred income on shipments to distributors" effectively represents the deferred gross margin on the sale to the distributor, however, the actual amount of gross margin the Company ultimately recognizes in future periods may be less than the originally recorded amount as a result of price protection, negotiated price rebates and exchanges as mentioned above. The wide range and variability of negotiated price rebates granted to distributors does not allow the Company to accurately estimate the portion of the balance in the "Deferred income on shipments to distributors" that will be remitted back to the distributors. At September 27, 2015, the Company had approximately $59.2 million of deferred revenue and $12.0 million of deferred cost of sales recognized as $47.2 million of "Deferred income on shipments to distributors." During fiscal years 2015 and 2016, the price rebates that have been remitted back to distributors have ranged from $4.0 million to $4.4 million per quarter. The Company does not reduce deferred income by anticipated future price rebates. Instead, price rebates are recorded against "Deferred income on shipments to distributors" when incurred, which is generally at the time the distributor sells the product to the end customers.

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

Product Warranty and Indemnification

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

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

Stock-Based Compensation

The Company has equity incentive plans, which are described more fully in "Note 5: Stock-Based Compensation." Stock-based compensation is measured at the grant date, based on the fair value of the award. The Company's equity awards granted in fiscal years 2016 and 2015 were restricted stock awards. Stock-based compensation cost for restricted stock awards is based on the fair market value of the Company's stock on the date of grant. Stock-based compensation cost for stock options is calculated on the date of grant using the fair value of stock options as determined using the Black-Scholes valuation model. The Black-Scholes valuation model requires the Company to estimate key assumptions such as expected option term and stock price volatility to determine the fair value of a stock option. The estimate of these key assumptions is based on historical information and judgment regarding market factors and trends. The Company amortizes restricted stock and stock option award compensation cost straight-line over the awards vesting period, which is generally 5 years.

Comprehensive Income

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

Recently Announced Accounting Pronouncements

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

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. Each reporting period, management is required to assess whether there is substantial doubt about an entity's ability to continue as a going concern and if so to provide related footnote disclosures. The new guidance is effective for annual and interim periods ending after December 15, 2016. Early adoption is permitted. This ASU is not expected to have an impact on the Company's financial statements or disclosures.

2. Earnings Per Share

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

	Three Months Ended	
In thousands, except per share amounts	September 27, 2015	September 28, 2014
Net income available to shareholders	$ 112,047	$ 129,459
Basic shares:		
Weighted-average shares outstanding – Basic	244,863	244,145
Earnings per share - Basic	$ 0.46	$ 0.53
Diluted shares:		
Dilutive effect of equity plans	371	656
Weighted-average shares outstanding – Diluted	245,234	244,801
Earnings per share - Diluted	$ 0.46	$ 0.53

3. Fair Value

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

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

The following table presents the Company's fair value hierarchy for its financial assets (cash equivalents and marketable securities) measured at fair value on a recurring basis as of September 27, 2015:

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	$ 408,935	$ —	$ 408,935
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises and commercial paper	—	738,238	738,238
Total assets measured at fair value	$ 408,935	$ 738,238	$ 1,147,173

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 June 28, 2015:

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	$ 427,800	$ —	$ 427,800
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises and commercial paper	—	677,899	677,899
Total assets measured at fair value	$ 427,800	$ 677,899	$ 1,105,699

4. Marketable Securities

The following is a summary of cash equivalents and marketable securities as of September 27, 2015:

	September 27, 2015			
In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss)(1)	Fair Value
U.S. Treasury securities	$ 381,668	$ 700	$ (5)	$ 382,363
Obligations of U.S. government-sponsored enterprises	295,005	616	(4)	295,617
Municipal bonds	125,981	191	(14)	126,158
Corporate debt securities and other	316,397	67	(1)	316,463
Money market funds	26,572	—	—	26,572
Total	$ 1,145,623	$ 1,574	$ (24)	$ 1,147,173
Amounts included in:				
Cash equivalents	$ 119,647	$ 2	$ (1)	$ 119,648
Marketable securities	1,025,976	1,572	(23)	1,027,525
Total	$ 1,145,623	$ 1,574	$ (24)	$ 1,147,173

The following is a summary of cash equivalents and marketable securities as of June 28, 2015:

	June 28, 2015			
In thousands	Amortized Cost	Unrealized Gain	Unrealized (Loss)[1]	Fair Value
U.S. Treasury securities	$ 364,925	$ 618	$ (6)	$ 365,537
Obligations of U.S. government-sponsored enterprises	258,519	299	(1)	258,817
Municipal bonds	138,419	26	(80)	138,365
Corporate debt securities and other	280,699	21	(3)	280,717
Money market funds	62,263	—	—	62,263
Total	$ 1,104,825	$ 964	$ (90)	$ 1,105,699
Amounts included in:				
Cash equivalents	$ 98,657	$ —	$ (1)	$ 98,656
Marketable securities	1,006,168	964	(89)	1,007,043
Total	$ 1,104,825	$ 964	$ (90)	$ 1,105,699

[1] The Company evaluated the nature of the investments with a loss position at September 27, 2015 and June 28, 2015, 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 September 27, 2015 and June 28, 2015.

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

In thousands	September 27, 2015	June 28, 2015
Due in one year or less	$ 588,405	$ 605,726
Due after one year through three years	439,120	401,317
Total	$ 1,027,525	$ 1,007,043

5. Stock-based Compensation

Equity Incentive Plans

The Company currently has a 2010 Equity Incentive Plan, under which the Company may grant Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock Awards, Restricted Stock Units, Performance Shares and Performance Units. Under the plan, the Company may grant awards to employees, executive officers, directors and consultants who provide services to the Company. To date, the Company has only granted Nonstatutory Stock Options (under previous equity incentive plans), Restricted Stock Awards and Restricted Stock Units. At September 27, 2015, 16.3 million shares were available for grant under the current plan. The Company's restricted awards generally vest annually over a period of five years (20% a year) based upon continued employment with the Company. Options vest over a five-year period (generally 10% every six months) based upon continued employment. Options expire seven years after the date of the grant. The Company's last stock option grant to an employee was in January 2009.

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 September 27, 2015, 0.5 million shares were available for issuance under the ESPP.

As of September 27, 2015, there was approximately $202.6 million of total unrecognized stock-based compensation cost related to share-based payments granted under the Company's stock-based compensation plans that will be recognized over a period of approximately 5 years. Future grants will add to this total, whereas quarterly amortization and the vesting of the existing grants will reduce this total.

The Company issues new shares of common stock upon exercise of stock options. For the three months ended September 27, 2015, options for approximately 0.2 million shares were exercised for a gain (aggregate intrinsic value) of $3.4 million determined as of the dates of the option exercise.

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, June 28, 2015	481,762	$ 22.75
Granted	—	—
Forfeited and expired	—	—
Exercised	(188,877)	22.74
Options outstanding at September 27, 2015	292,885	22.75
Options exercisable at September 27, 2015	292,885	22.75
Options vested at September 27, 2015	292,885	22.75

All options outstanding at September 27, 2015, will be exercised, forfeited, or expired as of the second fiscal quarter ending January 3, 2016.

Restricted Stock

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

	Restricted Awards Outstanding	Weighted Average Grant Date Fair Value
Non-vested at June 28, 2015	6,581,764	$ 40.13
Granted	457,865	40.25
Vested	(537,679)	34.96
Forfeited	(81,696)	39.08
Non-vested at September 27, 2015	6,420,254	$ 40.18

6. Goodwill and Intangible Assets

On December 20, 2011, the Company acquired 100% of the outstanding stock of privately held Dust Networks ("Dust") of Hayward, California, a provider of low power wireless sensor network technology. As a result of the acquisition the Company recorded goodwill and intangible assets during fiscal year 2012.

Goodwill

The goodwill balance of $2.2 million at September 27, 2015 is attributable to the acquisition of Dust. There were no changes to the goodwill balance for the period ended September 27, 2015. The Company annually evaluates goodwill for impairment as well as whenever events or changes in circumstances might suggest that the carrying value of goodwill may not be recoverable. The Company expects that none of the goodwill will be deductible for tax purposes.

Intangible Assets

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

The remaining amortization expense, related to finite-lived intangible assets, will be recognized over a weighted-average period of approximately 5.6 years. The useful lives of amortizable intangible assets are as follows:

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

Intangible assets consisted of the following:

In thousands	September 27, 2015		
	Original Cost	Accumulated Amortization	Net
Intellectual property	$ 13,100	$ (6,750)	$ 6,350
Customer relationships	4,000	(1,500)	2,500
Total intangible assets	$ 17,100	$ (8,250)	$ 8,850

7. Credit Facility

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

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

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

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

8. Stockholders' Equity

Stock Repurchase

On October 14, 2014, the Company's Board of Directors authorized the Company to repurchase up to 10.0 million shares of its outstanding common stock in the open market over a two-year time period. During the quarter ended September 27, 2015, the Company repurchased approximately 1.2 million shares of its common stock for approximately $48.9 million. The Company has approximately 7.2 million shares remaining under the 2014 authorization.

In addition to open market repurchases, the Company also repurchases shares related to equity award vestings as outlined below. During the quarter ended September 27, 2015, the Company repurchased approximately 0.2 million shares related to equity grants of its common stock for approximately $7.7 million. The Company generally grants restricted stock awards and restricted stock units under its equity incentive plans, which are subject to vesting. Recipients are required to pay tax on such awards and units at the time they vest. For the majority of restricted stock awards and units granted, the number of shares issued on the date the 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 open market common stock repurchase totals in the above paragraph even though they are treated as common stock repurchases in our financial statements, as they reduce the number of shares that would otherwise have been issued.

Dividends

A cash dividend of $0.30 per share will be paid on November 25, 2015 to stockholders of record on November 13, 2015. During the three months ended September 27, 2015, the Company paid $73.3 million in dividends representing $0.30 per share. The payment of future dividends will be based on the Company's financial performance.

9. Income Taxes

The Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty

percent likelihood of being realized upon ultimate resolution. As of September 27, 2015, the Company's other long-term liabilities account includes $33.1 million of unrecognized tax benefits of which approximately $13.2 million would favorably impact its effective income tax rate in future periods if the Company's positions on these tax matters are upheld. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense. Included in the liability for unrecognized tax benefits was $2.3 million accrued for interest at September 27, 2015.

During the first quarter of fiscal year 2016, the Malaysian government agreed to extend the Company's partial tax holiday through July 2025. In addition to the Malaysian tax holiday, the Company also has a partial tax holiday in Singapore through August 2019.

10. Contingencies

Litigation

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

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

Overview

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

Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies as compared to the previous disclosures in Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended June 28, 2015.

Results of Operations

Revenue by Geographic Region

	Three Months Ended				Change	
(Dollars in thousands)	September 27, 2015	% of Revenue	September 28, 2014	% of Revenue	Amount	Percent
North America	$ 94,378	28%	$ 101,694	27%	$ (7,316)	(7.2)%
Europe	66,632	19%	73,765	20%	(7,133)	(9.7)
Japan	52,156	15%	55,944	15%	(3,788)	(6.8)
Rest of the world	128,751	38%	139,657	38%	(10,906)	(7.8)
Total revenue	$ 341,917	100%	$ 371,060	100%	(29,143)	(7.9)

Revenue declined in all major geographies. There were no significant changes in geographies as a percentage of revenue. The revenue decline was led by the Industrial market, followed by Communications and Transportation though the Computer market grew slightly. Revenues for the quarter ended September 27, 2015 decreased from the prior fiscal year quarter due to a lower number of units shipped but was slightly offset by a higher average selling price ("ASP"). The decline in revenue was primarily due to customers lowering inventory balances as a result of global macroeconomic issues. The number of units shipped in the first quarter of fiscal 2016 decreased by approximately 9% to 182.3 million units from the 200.6 million units shipped in the same period of fiscal year 2015. The ASP of $1.88 per unit in the first quarter of fiscal year 2016 increased as compared to the ASP of $1.87 per unit in the same period of fiscal year 2015.

Gross Profit

	Three Months Ended		Change	
(Dollars in thousands)	September 27, 2015	September 28, 2014	Amount	Percent
Gross profit	$ 256,712	$ 282,053	$ (25,341)	(9.0)%
Gross profit as a % of revenue	75.1%	76.0%		

Gross margin decreased to 75.1% in the first quarter of fiscal year 2016 as compared to 76.0% for the same period in fiscal year 2015. The decrease in gross margin for the quarter ended September 27, 2015 was primarily due to spreading fixed costs over a lower revenue base and lower factory efficiencies in the September quarter due to shutdown days at the U.S. wafer fabrications plants.

Research and Development ("R&D")

(Dollars in thousands)	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Change Amount	Change Percent
R&D	$ 66,602	$ 65,600	$ 1,002	1.5 %
R&D as a % of revenue	19.5%	17.7%		

R&D expense increased $1.0 million for the three months ended September 27, 2015, compared to the same period in the prior fiscal year, due to a $1.3 million increase in labor costs as a result of increased headcount, merit compensation and fringe benefit costs. In addition, employee stock-based compensation increased $1.1 million. Offsetting these increases was a $1.4 million decrease to employee profit sharing.

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

(Dollars in thousands)	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Change Amount	Change Percent
SG&A	$ 40,193	$ 42,089	$ (1,896)	(4.5)%
SG&A as a % of revenue	11.8%	11.3%		

SG&A expense decreased $1.9 million for the three months ended September 27, 2015, compared to the same period in the prior fiscal year, due to a $1.0 million decrease in employee profit sharing and a $1.3 million decrease to other SG&A expenses from reductions in advertising and traveling expenses. Offsetting these decreases was a $0.6 million increase in employee stock-based compensation.

Interest and Other Income

(Dollars in thousands)	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Change Amount	Change Percent
Interest and other income	$ 987	$ 581	$ 406	69.9 %
Interest and other income as a % of revenue	0.3%	0.2%		

Interest and other income increased $0.4 million for the three months ended September 27, 2015, compared to the same period in the prior fiscal year, due to an increase in the average cash balance and interest rate earned on the Company's cash, cash equivalents and marketable securities balances.

Provision for Income Taxes

(Dollars in thousands)	Three Months Ended September 27, 2015	Three Months Ended September 28, 2014	Change Amount	Change Percent
Provision for income taxes	$ 38,857	$ 45,486	$ (6,629)	(14.6)%
Effective tax rate	25.7%	26.0%		

The provision for income taxes decreased $6.6 million for the three months ended September 27, 2015, compared to the same period in the prior fiscal year, due to a $24.0 million decrease in the Company's income before income taxes. The Company's effective income tax rate for the first quarter of fiscal year 2016 was 25.7% as compared to 26.0% in the same period of fiscal year 2015. The decrease in the effective income tax rate was primarily due to an increase in estimated earnings allocated to jurisdictions with a lower tax rate.

Excluding the effect of quarterly discrete tax adjustments, the Company estimates that its annual effective income tax rate for fiscal year 2016 will be in the range of 25.5% to 26.0%.

Factors Affecting Future Operating Results

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

During the three months ended September 27, 2015 revenue declined 9.9% from the previous quarter and declined in all major geographies. The revenue decline was led by the Industrial market, followed by Communications and Transportation end-markets though sales into the Computer market grew slightly. In the prior quarter, the Company disclosed it was expecting the current negative cycle to be a short one as inventories are rebalanced to the current demand. However, the Company’s second fiscal quarter is historically a weaker quarter, particularly for the Industrial market, and therefore the Company remains cautious due to the macroeconomic climate. Accordingly, for the fiscal second quarter the Company is forecasting revenue to be flat to up 3% sequentially.

Liquidity and Capital Resources

At September 27, 2015, cash, cash equivalents and marketable securities totaled $1,245.0 million, an increase of $42.3 million over the June 28, 2015 balance. Major uses of cash provided by operating activities of $175.7 million were (i) cash dividends of $73.3 million and (ii) $56.6 million to purchase 1.2 million shares of the Company’s common stock in the open market and to purchase 0.2 million shares to satisfy minimum statutory withholding requirements related to the vesting of employee restricted stock awards. Working capital at September 27, 2015 was $1,415.4 million.

At September 27, 2015, accounts receivable totaled $153.7 million, a decrease of $25.6 million from the June 28, 2015 balance. The decrease is primarily due to lower shipments in the first quarter of fiscal year 2016 as compared to the fourth quarter of fiscal year 2015. At September 27, 2015, inventory totaled $96.1 million, a decrease of $3.7 million from the June 28, 2015 balance. The decrease in inventory was primarily due to a decrease in the Company’s finished goods and work in process inventory. The Company decreased inventory levels to adjust for lower demand.

At September 27, 2015, net property, plant and equipment totaled $285.2, a decrease of $2.5 million from the June 28, 2015 balance. Fixed asset additions totaled $10.2 million primarily for procurement of assembly, test and wafer fabrication equipment. Depreciation expense was $12.7 million during the three months ended September 27, 2015.

In October 2015, the Company’s Board of Directors declared a cash dividend of $0.30 per share. The $0.30 per share dividend will be paid on November 25, 2015 to stockholders of record on November 13, 2015. The payment of future dividends will be based on 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 should be sufficient to meet its liquidity and capital expenditures for the foreseeable future.

On July 27, 2015, the Company’s Credit Agreement was amended to increase the size of the line of credit to $150.0 million and to extend the maturity date from October 23, 2015 to July 27, 2017. The Company has not utilized the Credit Agreement to date. For further information on the Credit Agreement, see Note 7 of Notes to Consolidated Financial Statements.

Contractual Obligations

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

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

Off-Balance Sheet Arrangements

As of September 27, 2015, the Company had no off-balance sheet financing arrangements.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk

The Company's cash equivalents and marketable securities are subject to market risk, primarily interest rate and credit risk. The Company's investments are managed by outside professional managers within investment guidelines set by the Company. Such guidelines include security type, credit quality and maturity and are intended to limit market risk by restricting the Company's investments to high quality debt instruments with relatively short-term maturities. Any basis point increase in short-term interest rates would result in an unrealized loss in market value of the Company's investments, however, there have been no material changes in these interest rate risk affecting the Company since the filing of the Company's Form 10-K for fiscal year 2015. Such losses would only be realized if the Company sold the investments prior to maturity. These investments are reported at fair value with the related unrealized gains or losses reported in accumulated other comprehensive income, a component of stockholders' deficit. The Company generally holds securities until maturity.

Foreign exchange risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

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

The Company's management evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of September 27, 2015. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, the Company's disclosure

controls and procedures are effective to ensure that information it is required to disclose in reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the Company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure, and that such information is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

Changes in Internal Control over Financial Reporting.

No change in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended September 27, 2015 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

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

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

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

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

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

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

Historically, we have maintained low lead times, which have enabled customers to place orders close to their true needs for product. In defining our financial goals and projections, we consider inventory on hand, backlog, production cycles and expected order patterns from customers. If our estimates in these areas 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 revenue 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 revenue growth and sustained or increased profitability, but they can present significant business challenges because product development commitments and expenditures must be made well in advance of the related revenues, in some cases years. The success of a new product depends on a variety of factors including accurate forecasts of long-term market demand and future technological developments, accurate anticipation of competitors' actions and offerings, timely and efficient completion of process design and development, timely and efficient implementation of manufacturing and assembly processes, product performance, quality and reliability of the product, and effective marketing, revenue and service.

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

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

Our manufacturing operations may be interrupted or suffer yield problems.

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

fluctuations, transportation delays and the imposition of export controls or import tariffs. We could be adversely affected if any such changes are applicable to our foreign operations.

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

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

A portion of our wafers (approximately 15%-20%) are processed offshore by independent assembly subcontractors primarily located in Thailand. These subcontractors separate wafers into individual circuits and assemble them into various finished package types. During periods of increasing demand and volatile lead times, sub-contractors can become over committed and therefore unable to meet all of their customer demand requirements thereby causing inconsistencies in availability of supply. In addition, reliability problems experienced by our assemblers could cause problems in delivery and quality, resulting in potential product liability to us. We could also be adversely affected by political disorders, labor disruptions, and natural disasters in these locations.

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

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

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

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

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

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

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

During fiscal year 2016, 72% of our revenues were derived from customers in international markets. In addition, we have test and assembly facilities in Singapore and Malaysia. Accordingly, we are subject to the economic and political risks inherent in international revenue and operations and their impact on the United States economy in general, including the risks associated with ongoing uncertainties and political and economic instability in many countries around the world, economic disruption from financial and economic declines or turmoil, dysfunction in the credit markets, acts of terrorism, natural disasters or the response to any of the foregoing by the United States and other major countries. In past years, natural disasters in Japan and Thailand have affected the global marketplace.

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

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

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

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

We have received, and may receive in the future, notices of claims of infringement and misappropriation of other parties' proprietary rights. In the event of an adverse decision in a patent, trademark, copyright, maskwork or trade secret action, we could be required to withdraw the product or products found to be infringing from the market or redesign products offered for sale or under development. Whether or not these infringement claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims. In the event of an adverse outcome in any litigation, we may be required to pay substantial damages, including enhanced damages for willful infringement, and incur significant attorneys' fees, as well as indemnify

customers for damages they might suffer if the products they purchase from us infringe intellectual property rights of others. We could also be required to stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, discontinue the use of some processes, or obtain licenses to intellectual property rights covering products and technology that we may, or have been found to, infringe or misappropriate such intellectual property rights.

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

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

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

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

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

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

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

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

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

We rely on our internal manufacturing facilities located in California and Washington to fabricate most of our wafers. California is in its fourth year of drought and the state government ordered a mandatory residential reduction in statewide water use in April 2015.

In the future, this drought may impact businesses in the form of rate increases and/or mandatory reductions. Our fabrication process consumes a significant amount of water and we are generally dependent upon water provided by public utilities. We also maintain a well at the California facility; however, we may be restricted on the amount of water we can draw from that well. Restrictions on our access to water could have a significant adverse impact on our business as production at our California facility could be disrupted by the unavailability of water. In addition, we may be charged more for water or fined for deemed excessive usage which could impact our operating margins if we are not able to pass along price increases to our customers.

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

As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Act"), the SEC has promulgated disclosure requirements regarding the use of certain minerals (tantalum, tin, tungsten and gold), which are mined from the Democratic Republic of Congo and adjoining countries, known as conflict minerals. Certain of the Company's products contain gold, tungsten and tin. As a result of the Act, the Company must annually publicly disclose whether it manufactures (as defined in the Act) any products that contain conflict minerals. Additionally, customers typically rely on the Company to provide critical data regarding the parts they purchase, including conflict mineral information. The Company's material sourcing is broad-based and multi-tiered, and it is difficult to verify the origins for conflict minerals used in the products it sells. The Company has many suppliers and each may provide conflict mineral information in a different manner, if at all. Accordingly, because the supply chain is complex, the Company may face reputational challenges from being unable to sufficiently verify the origins of conflict minerals used in its products. Additionally, customers may demand that the products they purchase be free of conflict minerals. This may limit the number of suppliers that can provide products in sufficient quantities to meet customer demand or at competitive prices.

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

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

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

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

Our stock price may be volatile.

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

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

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

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

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

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

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

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

The following table sets forth certain information with respect to common stock purchased by the Company for the three-month period ended September 27, 2015.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (2)
Month #1 (June 29, 2015 – July 26, 2015)	—	$ —	—	8,432,795
Month #2 (July 27, 2015 - August 23, 2015)	1,387,477	40.74	1,200,000	7,232,795
Month #3 (August 24, 2015 – September 27, 2015)	—	—	—	7,232,795
Total	1,387,477	$ 40.74	1,200,000	7,232,795

(1) During the quarter ended September 27, 2015, the Company withheld 187,477 shares of restricted stock for $7.7 million to satisfy employee tax withholding requirements related to the vesting of restricted stock awards. In addition, the Company repurchased 1,200,000 shares of its common stock in the open market for approximately $48.9 million under an open market repurchase program authorized by the Board of Director in October 2014.

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

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

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

Signatures

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

LINEAR TECHNOLOGY CORPORATION

DATE: November 5, 2015

BY /s/ Donald P. Zerio

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