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 January 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 filing," "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 January 28, 2011
Common Stock, $0.001 par value per share	226,858,522 shares

LINEAR TECHNOLOGY CORPORATION
FORM 10-Q
THREE AND SIX MONTHS ENDED JANUARY 2, 2011

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Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	January 2, 2011	December 27, 2009	January 2, 2011	December 27, 2009
Revenues	$ 383,621	$ 256,364	$ 772,213	$ 492,499
Cost of sales [(1)]	82,603	61,621	166,334	121,204
Gross profit	301,018	194,743	605,879	371,295
Operating expenses:				
Research and development [(1)]	59,001	46,682	115,203	92,022
Selling, general and administrative [(1)]	40,958	32,459	85,040	64,118
Total operating expenses	99,959	79,141	200,243	156,140
Operating income	201,059	115,602	405,636	215,155
Interest expense[(2)]	(13,525)	(18,913)	(30,708)	(38,034)
Interest income	1,602	3,358	3,518	7,214
Income before income taxes	189,136	100,047	378,446	184,335
Provision for income taxes	45,393	24,511	97,453	48,112
Net income	$ 143,743	$ 75,536	$ 280,993	$ 136,223
Basic earnings per share	$ 0.62	$ 0.33	$ 1.22	$ 0.60
Shares used in the calculation of basic earnings per share	230,284	227,265	230,006	227,093
Diluted earnings per share	$ 0.62	$ 0.33	$ 1.21	$ 0.60
Shares used in the calculation of diluted earnings per share	232,202	228,366	231,843	228,160
Cash dividends per share	$ 0.23	$ 0.22	$ 0.46	$ 0.44
Includes the following charges:				
[(1)]Stock-based compensation				
Cost of sales	$ 2,338	$ 2,220	$ 4,521	$ 4,515
Research and development	10,531	9,521	20,298	19,240
Selling, general and administrative	5,614	5,301	10,855	10,776
[(2)]Amortization of debt discount (non-cash interest expense)	5,390	7,296	12,156	14,525

See accompanying notes

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

	January 2, 2011 (unaudited)	June 27, 2010*
Assets		
Current assets:		
Cash and cash equivalents	$ 203,308	$ 295,854
Marketable securities	544,844	662,215
Accounts receivable, net of allowance for doubtful accounts of $2,043 ($2,043 at June 27, 2010)	180,692	176,874
Inventories:		
Raw materials	8,808	5,430
Work-in-process	39,706	39,799
Finished goods	15,868	8,815
Total inventories	64,382	54,044
Deferred tax assets	38,570	38,689
Prepaid expenses and other current assets	38,162	36,625
Total current assets	1,069,958	1,264,301
Property, plant and equipment, at cost:		
Land	28,837	28,837
Buildings and improvements	201,930	199,817
Manufacturing and test equipment	599,012	527,230
Office furniture and equipment	3,831	3,789
Property, plant and equipment, total	833,610	759,673
Accumulated depreciation and amortization	(521,784)	(502,638)
Property, plant and equipment, net	311,826	257,035
Other noncurrent assets	64,402	69,382
Total assets	$ 1,446,186	$ 1,590,718
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 40,437	$ 21,235
Accrued payroll and related benefits	94,921	80,796
Deferred income on shipments to distributors	38,471	33,700
Income taxes payable	4,132	19,615
Other accrued liabilities	21,249	34,238
Convertible senior notes- current portion	-	392,926
Total current liabilities	199,210	582,510
Deferred tax liabilities	97,301	108,665
Convertible senior notes	776,212	766,960
Other noncurrent liabilities	94,670	92,798
Total liabilities	1,167,393	1,550,933
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; 226,278 shares issued and outstanding at January 2, 2011 (224,231 shares at June 27, 2010)	226	224
Additional paid-in capital	1,403,615	1,331,664
Accumulated other comprehensive income, net of tax	1,446	1,974
Accumulated deficit	(1,126,494)	(1,294,077)
Total stockholders' equity	278,793	39,785
Total liabilities and stockholders' equity	$ 1,446,186	$ 1,590,718

* Derived from audited financial statement at June 27, 2010.
See accompanying notes

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

	Six Months Ended	
	January 2, 2011	December 27, 2009
Cash flow from operating activities:		
Net income	$ 280,993	$ 136,223
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,907	22,993
Tax benefit received on the exercise of stock-based awards	1,689	(2,092)
Stock-based compensation	35,674	34,531
Amortization of convertible senior notes discount	12,156	14,525
Change in operating assets and liabilities:		
Increase in accounts receivable	(3,818)	(28,722)
(Increase) decrease in inventories	(10,338)	340
(Increase) decrease in prepaid expenses, other current assets and deferred tax assets	(872)	1,540
Decrease (increase) in long-term assets	2,152	(106)
Increase in accounts payable, accrued payroll, other accrued liabilities and noncurrent liabilities	22,210	15,699
Increase in deferred income on shipments to distributors	4,771	2
Decrease in income taxes payable	(26,191)	(6,387)
Cash provided by operating activities	342,333	188,546
Cash flow from investing activities:		
Purchases of marketable securities	(374,796)	(353,189)
Proceeds from sales and maturities of available-for-sale securities	490,437	299,143
Purchases of property, plant and equipment	(75,870)	(7,528)
Cash provided by (used in) investing activities	39,771	(61,574)
Cash flow from financing activities:		
Retirement of convertible senior notes	(395,830)	(9,815)
Issuance of common stock under employee stock plans	36,370	12,329
Purchases of common stock	(9,334)	(7,202)
Payments of cash dividends	(105,856)	(99,996)
Cash used in financing activities	(474,650)	(104,684)
(Decrease)/Increase in cash and cash equivalents	(92,546)	22,288
Cash and cash equivalents, beginning of period	295,854	217,018
Cash and cash equivalents, end of period	$ 203,308	$ 239,306

See accompanying notes

LINEAR TECHNOLOGY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Interim financial statements and information are unaudited; however, in the opinion of management, all adjustments necessary for a fair and accurate presentation of the interim results in conformity with U.S. generally accepted accounting principles ("GAAP") have been made. All such adjustments were of a normal recurring nature. The results for the three and six month periods ended January 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 June 27, 2010 included in the Company's Annual Report on Form 10-K. The accompanying balance sheet at June 27, 2010 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.

During the first quarter of fiscal year 2011, the Company adopted the Financial Accounting Standard Board's ("FASB") new accounting standard on consolidation of variable interest entities. This new accounting standard eliminates the mandatory quantitative approach in determining control for evaluating whether variable interest entities need to be consolidated in favor of a qualitative analysis, and requires an ongoing reassessment of control over such entities. The adoption of this new accounting standard did not impact the Company's condensed consolidated financial statements.

Revenue Recognition

The Company recognizes revenues when the earnings process is complete, when persuasive evidence of an arrangement exists, the product has been shipped, the price is fixed and determinable and collection is reasonably assured. During the second quarter and the first six months of fiscal year 2011, the Company recognized approximately 13% and 14%, respectively, 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 January 2, 2011, the Company had approximately $47.8 million of deferred revenue and $9.3 million of deferred cost of sales recognized as $38.5 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 $2.2 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 2010 was a 52-week year. Fiscal year 2011 is a 53-week fiscal year, with the additional week falling in the current quarter ending January 2, 2011. The impact of the extra week was concentrated in labor costs.

3. Earning 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 January 2, 2011	Three Months Ended December 27, 2009	Six Months Ended January 2, 2011	Six Months Ended December 27, 2009
Numerator - net income	$ 143,743	$ 75,536	$ 280,993	$ 136,223
Denominator for basic earnings per share- weighted average shares	230,284	227,265	230,006	227,093
Effect of dilutive securities – employee stock options	1,918	1,101	1,837	1,067
Denominator for diluted earnings per share	232,202	228,366	231,843	228,160
Basic earnings per share	$ 0.62	$ 0.33	$ 1.22	$ 0.60
Diluted earnings per share	$ 0.62	$ 0.33	$ 1.21	$ 0.60

The potentially dilutive effect of stock option of approximately 12.1 million shares and 13.0 million shares of common stock for the three and six month periods ended January 2, 2011, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been antidilutive.

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 nonactive 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 January 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	$ 112,685	$ -	$ 112,685
Investments in municipal bonds, obligations of U.S. government-sponsored enterprises, corporate debt and commercial paper	-	477,043	477,043
Total assets measured at fair value	$ 112,685	$ 477,043	$ 589,728

5. Marketable Securities

The Company currently does not hold any investments in auction rate securities or asset backed 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 January 2, 2011 and June 27, 2010:

In thousands	January 2, 2011			
	Amortized Cost	Unrealized Gain	Unrealized (Loss) [(1)]	Fair Value
U.S. Treasury securities	$ 97,978	$ 179	$ (54)	$ 98,103
Obligations of U.S. government-sponsored enterprises	119,529	287	(15)	119,801
Municipal bonds	224,477	961	(39)	225,399
Corporate debt securities and other	131,618	227	(2)	131,843
Money market funds	14,582	-	-	14,582
Total	$ 588,184	$ 1,654	$ (110)	$ 589,728
Amounts included in:				
Cash equivalents	$ 44,884	$ -	$ -	$ 44,884
Marketable securities	543,300	1,654	(110)	544,844
Total	$ 588,184	$ 1,654	$ (110)	$ 589,728

In thousands	June 27, 2010			
	Amortized Cost	Unrealized Gain	Unrealized (Loss) [(1)]	Fair Value
U.S. Treasury securities	$ 61,074	$ 135	$ -	$ 61,209
Obligations of U.S. government-sponsored enterprises	106,630	532	(1)	107,161
Municipal bonds	407,068	2,387	(1)	409,454
Corporate debt securities and other	134,892	229	(8)	135,113
Money market funds	78,835	-	-	78,835
Total	$ 788,499	$ 3,283	$ (10)	$ 791,772
Amounts included in:				
Cash equivalents	$ 129,557	$ -	$ -	$ 129,557
Marketable securities	658,942	3,283	(10)	662,215
Total	$ 788,499	$ 3,283	$ (10)	$ 791,772

(1) The Company evaluated the nature of the investments with a loss position at January 2, 2011 and June 27, 2010, 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 January 2, 2011 and June 27, 2010.

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

In thousands	January 2, 2011	June 27, 2010
Due in one year or less	$ 301,120	$ 393,350
Due after one year through three years	243,724	268,865
Total	$ 544,844	$ 662,215

6. Stock-based Compensation

Equity Incentive Plans

At the 2010 Annual Meeting of Stockholders on November 3, 2010, the Company's stockholders approved a new 2010 Equity Incentive Plan that replaces the 2001 Nonstatutory Stock Option Plan by transferring the remaining shares from the 2001 Nonstatutory Stock Option Plan into the 2010 Equity Incentive Plan and adding 5.0 million shares to the 2010 Equity Incentive Plan. At January 2, 2011, 18.4 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 January 2, 2011, 1.7 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 January 2, 2011, there was approximately $139.8 million of 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 six months ended January 2, 2011, options for approximately 1.3 million shares were exercised for a gain to the optionee (aggregate intrinsic value) of $10.0 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, June 27, 2010	25,436,140	$33.83
Granted	-	-
Forfeited and expired	(2,522,893)	50.77
Exercised	(1,320,365)	24.71
Outstanding options, January 2, 2011	21,592,882	$32.41
Options vested and exercisable at:		
January 2, 2011	17,117,132	$34.94

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 June 27, 2010	5,609,419	$30.10
Granted	780,415	31.19
Vested	(889,457)	31.42
Forfeited	(68,489)	29.06
Nonvested at January 2, 2011	5,431,888	$30.04

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:

In thousands	Three Months Ended		Six Months Ended	
	January 2, 2011	December 27, 2009	January 2, 2011	December 27, 2009
Net income	$ 143,743	$ 75,536	$ 280,993	$ 136,223
Changes in unrealized gains on available-for-sale securities	(443)	(1,095)	(528)	(1,600)
Total comprehensive income	$ 143,300	$ 74,441	$ 280,465	$ 134,623

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 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 second quarter of fiscal year 2011 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 January 2, 2011. At January 2, 2011, no shares related to the Notes were included in the computation of diluted earnings per share.

At January 2, 2011, the conversion rate of the 2027A notes is 22.362558 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 January 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 3.0% 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 of fiscal year 2010 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 3.0%, 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 condensed consolidated balance sheets as follows:

In thousands	January 2, 2011	June 27, 2010
Liability components		
Principal amount of the Notes	$ 845,088	$ 1,240,917
Unamortized discount of liability component*	(68,876)	(81,031)
Carrying value of liability component	$ 776,212	$ 1,159,886
Equity component-net carrying value	$ 122,639	$ 122,639

*The remaining unamortized debt discount as of January 2, 2011 will be amortized as additional non-cash interest expense over the remaining term of the 2027A notes, which is approximately 3.1 years, the time at which the Notes become initially redeemable.

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

	Three Months Ended		Six Months Ended	
In thousands	January 2, 2011	December 27, 2009	January 2, 2011	December 27, 2009
Contractual coupon interest	$ 7,369	$ 10,492	$ 16,800	$ 21,136
Amortization of debt discount	5,390	7,296	12,156	14,525
Amortization of debt issuance costs	576	865	1,354	1,836
Total interest expense related to the Notes	$ 13,335	$ 18,653	$ 30,310	$ 37,497

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 January 2, 2011, the Company's other long-term liabilities account includes $78.7 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 $14.9 million accrued for interest at January 2, 2011.

During the second quarter of fiscal year 2011, the research & development tax credit ("R&D credit") was reinstated by legislation retroactive to January 1, 2010. Accordingly, the Company's annual effective income tax rate for fiscal year 2011 has been adjusted to include the R&D credit for the full fiscal year commencing in the second quarter. In addition, the Company's quarterly effective income tax rate of 24% for the second quarter of fiscal year 2011 includes a quarterly discrete tax benefit for the R&D credit totaling $3.5 million related to the prior fiscal year period of January 1, 2010 through June 27, 2010.

During the first quarter of fiscal year 2009, the Company and the Appeals Division of the Internal Revenue Service ("IRS Appeals") agreed to settle certain disputed export tax benefits the Company claimed as its extraterritorial income ("ETI") exclusion under the Internal Revenue Code for fiscal years 2002 through 2006. As a result of the settlement, the Company recognized a discrete tax benefit during the first quarter of fiscal year 2009 totaling $6.7 million, primarily due to the reversal of liabilities for uncertain tax positions pertaining to ETI. IRS Appeals and the Company have reached a tentative settlement on additional outstanding ETI refund claims that is potentially favorable for the Company. This tentative settlement, together with certain other refund claims that continue to be reviewed by the IRS, may be subject to review by the Joint Committee on Taxation. It is expected that these matters will be resolved during fiscal year 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.

Certain current and former directors and officers of the Company have been named as defendants in two consolidated shareholder derivative actions filed in the United States District Court for the Northern District of California and captioned *In re Linear Technology Corporation Shareholder Derivative Litigation* (the "Federal Action"), in three consolidated shareholder derivative actions filed in the Superior Court for Santa Clara County, California, also captioned *In re Linear Technology Corporation Shareholder Derivative Litigation* (the "California State Action"), and in a shareholder derivative action filed in the Delaware Court of Chancery, captioned *Weiss v. Swanson* (the "Delaware Action"). The Company has been named in each of these actions as a nominal defendant against which no recovery is sought.

In the Federal Action, the plaintiffs alleged that the individual defendants breached their fiduciary duties by allegedly backdating stock option grants between 1995 and 2002, and asserted derivative claims against them based on alleged violations

of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder. On December 7, 2006, the Court granted Linear's motion to dismiss the complaint for failure to make a pre-suit demand or to demonstrate that a demand would have been futile. The plaintiffs filed an amended complaint on January 5, 2007 asserting derivative claims against the individual defendants for alleged violations of Sections 10(b), 14(a), and 20(a) of the Exchange Act, and Rules 10b-5 and 14a-9. Pursuant to a stipulation among the parties to the Federal Action, on February 14, 2007, the District Court stayed the Federal Action.

In the California State Action, plaintiffs initially asserted claims against the individual defendants for breaching their, and aiding and abetting breaches of others', fiduciary duty in connection with the alleged backdating of stock option grants between 1995 and 2002. The plaintiffs also alleged that certain defendants were unjustly enriched, that defendants wasted corporate assets, and that the officers violated California insider trading laws. The plaintiffs sought unspecified money damages, disgorgement of profits and benefits, restitution, rescission of option contracts, imposition of a constructive trust over option contracts, and attorneys' fees and costs. On July 13, 2007, the Court sustained the Company's demurrer, and granted plaintiffs leave to amend the complaint. The Court did not address the individual defendants' demurrer.

On August 13, 2007, the plaintiffs in the California State Action filed an amended complaint, asserting claims against the individual defendants for breaching, and aiding and abetting breaches of fiduciary duty in connection with the grant of allegedly "spring-loaded" and "bullet-dodged" stock options between 1995 and 2005. The amended complaint also alleged that individual defendants were unjustly enriched, and violated California insider trading laws, and that the director defendants wasted corporate assets. Plaintiffs seek unspecified damages, disgorgement of profits and benefits, restitution, rescission of option contracts, imposition of a constructive trust over executory option contracts, and attorneys' fees and costs. On September 12, 2007, the Company and the individual defendants filed demurrers to the amended complaint. Before the demurrers were fully briefed, the parties stipulated to stay the California State Action pending the resolution of the motion to dismiss the complaint in the Delaware Action. The Delaware Court of Chancery denied that motion on March 7, 2008.

On May 5, 2008, the individual defendants moved to stay the California State Action; Linear joined in that motion. That same day, plaintiffs moved to coordinate discovery in the California State Action and the Delaware Action. The individual defendants opposed that motion and Linear joined in their opposition. In a June 18, 2008 order, the Court granted the motion to stay the California State Action, and rejected, in part, the plaintiffs' request to coordinate discovery. The Court ordered the defendants to supply the plaintiffs in the California State Action with copies of documents produced and transcripts of depositions conducted in the Delaware Action. Subsequently, on December 31, 2009, the plaintiffs filed a motion to lift the stay in the California State Action. On January 25, 2010, the individual defendants filed their opposition to this motion. On February 8, 2010, the Court issued an order denying the plaintiffs' motion to lift the stay in the California State Action. The Court is continuing to monitor the progress of the Delaware Action.

In the Delaware Action, filed on March 23, 2007, the plaintiff alleges that the defendant directors breached their fiduciary duty by granting "spring-loaded" and "bullet-dodged" stock options to certain officers and directors between 1996 and 2005. The plaintiff also asserts claims for unjust enrichment against defendants who received the option grants. The plaintiff seeks unspecified money damages, disgorgement of profits and benefits, restitution, rescission of certain defendants' option contracts, imposition of a constructive trust over the option contracts, and attorneys' fees and costs. The defendants moved to dismiss the Delaware Action on May 25, 2007. Rather than respond, the plaintiff filed his first amended complaint on August 10, 2007, making substantially the same allegations as those in the original complaint. On September 19, 2007, the Company and the individual defendants filed a Motion to Dismiss the first amended complaint on the grounds that the plaintiff had failed to make a pre-suit demand on the Board or to plead facts demonstrating that such a demand would have been futile, and that the first amended complaint failed to state a claim against each of the individual defendants. On March 7, 2008, the Court denied the motion. Linear answered the first amended complaint on April 7, 2008.

On January 25, 2010, the plaintiff in the Delaware Action filed a motion to amend the first amended complaint. This second amended complaint was filed under seal, with a redacted copy filed publicly, on February 15, 2010. The second amended complaint adds allegations that the defendant directors breached their fiduciary duty by: (1) granting additional stock options (beyond those identified in the first amended complaint) to employees, which grants plaintiff claims were manipulated during the 1996-2005 time period; (2) granting and receiving "backdated" and/or otherwise allegedly manipulated stock options, in addition to the allegedly "spring-loaded" and "bullet-dodged" options; and (3) granting additional stock options whose exercise price did not conform to the terms of the applicable stock option plans. The defendants answered the second amended complaint on March 17, 2010.

On June 10, 2010, the officer and director defendants filed motions for summary judgment. On August 6, 2010, and thereafter on August 25, 2010, the parties in the Delaware Action stipulated to an extension of time to file opposition and reply briefs, and related pleadings. On September 23, 2010, the parties to the Delaware Action filed a stipulation and proposed order

advising the Delaware Court of Chancery that they had executed a Memorandum of Understanding providing for settlement of the Delaware Action. The Court of Chancery granted the stipulation and entered the order that same day. The stipulation notes that the Memorandum of Understanding contemplates a stay of the Delaware Action and that the parties anticipate filing a Stipulation of Settlement along with a proposed Scheduling Order that would set a settlement approval hearing and a briefing schedule for the Court of Chancery's consideration of the settlement. The Court of Chancery stayed all proceedings in the Delaware Action, other than proceedings related to the review and approval of the anticipated Stipulation of Settlement.

The Stipulation of Settlement was filed with the Court of Chancery on January 27, 2011, but there can be no assurance that the Delaware Court of Chancery will approve the settlement.

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 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, and µModule® subsystems.

Second quarter revenues of $383.6 million decreased $5.0 million or 1% from the first quarter of fiscal year 2011 and increased 50% or $127.3 million over the second quarter of fiscal year 2010. Net income of $143.7 million increased $6.5 million or 5% over the first quarter of fiscal year 2011 and increased $68.2 million or 90% over the second quarter of fiscal year 2010. Net income for the second quarter of fiscal year 2011 benefited from a lower effective tax rate of 24% compared to the first quarter of fiscal year 2011 rate of 27.5% and the second quarter of fiscal year 2010 rate of 24.5%. The Company's tax rate was lower primarily due to the reinstatement of the research and development tax credit. The resulting second quarter diluted earnings per share ("EPS") of $0.62 increased $0.03 or 5% over the first quarter of fiscal year 2010 and increased $0.29 or 88% over the second quarter of fiscal year 2010.

Critical Accounting Estimates

There have been no significant changes to the Company's critical accounting policies during the six months ended January 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 June 27, 2010.

Results of Operations

The table below summarizes the income statement items for the three and six months ended January 2, 2011 and December 27, 2009 as a percentage of total revenue and provides the percentage change in absolute dollars of such items comparing the interim period ended January 2, 2011 to the corresponding period from the prior fiscal year:

	Three Months Ended			Six Months Ended		
	January 2, 2011	December 27, 2009	Increase/ (Decrease)	January 2, 2011	December 27, 2009	Increase/ (Decrease)
Revenues	100.0%	100.0%	50%	100.0%	100.0%	57
Cost of sales	21.5	24.0	34	21.5	24.6	37
Gross profit	78.5	76.0	55	78.5	75.4	63
Expenses:						
Research and development	15.4	18.2	26	14.9	18.7	25
Selling, general and administrative	10.7	12.7	26	11.1	13.0	33
	26.1	30.9	26	26.0	31.7	28
Operating income	52.4	45.1	74	52.5	43.7	89
Interest expense	(3.5)	(7.4)	(29)	(4.0)	(7.7)	(19)
Interest income	0.4	1.3	(52)	0.5	1.5	(51)
Income before income taxes	49.3%	39.0%	89	49.0%	37.5%	105
Tax rate	24.0%	24.5%		25.75%	26.1%	

Revenue for the quarter ended January 2, 2011 was $383.6 million, an increase of $127.3 million or 50% over revenue of $256.4 million for the same quarter of the previous fiscal year. Revenue for the six months ended January 2, 2011 was $772.2 million, an increase of $279.7 million or 57% over revenue of $492.5 million for the same period of the previous fiscal year. The substantial increases in revenue of 50% and 57%, respectively, were primarily due to an improving global macro-economic climate. Prior year results were adversely impacted by the worldwide global credit and financial crisis, whereas the results for the current fiscal year reflect a gradual recovery from the worldwide recession. Operating income for the second quarter and first six-month period of fiscal year 2011 increased 74% and 89%, respectively, primarily due to the increase in revenues. Operating income

improved faster than revenues due to the impact of spreading fixed costs over a higher revenue base and the Company maintaining tight expense controls through the recovery period.

Revenue for the quarter ended January 2, 2011 grew primarily due to an increase in the number of units shipped and marginally due to an increase in the average selling price (“ASP”). The number of units shipped increased by approximately 45% from 162.4 million units in the second quarter of fiscal year 2010 to 235.5 million units in the second quarter of fiscal year 2011. The ASP of $1.67 per unit in the second quarter of fiscal year 2011 was higher than the ASP of $1.59 per unit in the second quarter of fiscal year 2010.

Revenue for the six months ended January 2, 2011 grew primarily due to an increase in the number of units shipped and marginally due to an increase in the ASP. The number of units shipped increased by approximately 49% from 314.8 million units in the first six months of fiscal year 2010 to 467.8 million units in the six months ended January, 2 2011. The ASP for the six months ended January 2, 2011 was higher at $1.66 per unit as compared to $1.54 per unit in the same period of fiscal year 2010.

Over the past few years the Company has been reducing its exposure to the consumer and cell-phone end-markets in favor of the industrial, automotive, communication infrastructure and military end-markets because these latter end-markets tend to demand more complex technology products, which have higher ASPs. The Company’s revenues in the industrial, automotive, communication infrastructure, and military end-markets was 77% of revenues for the six months ended January 2, 2011 as compared to 76% in the same period of fiscal year 2010.

Geographically, revenues for the quarter ended January 2, 2011 increased in each major geographical region compared to the same quarter of the previous fiscal year. International revenues for the quarter ended January 2, 2011 were $280.8 million or 73% of revenues, an increase of $98.8 million as compared to international revenues of $182.0 million or 71% of revenues for the same period in the previous fiscal year. Revenues for the quarter ended January 2, 2011 to Rest of the World (“ROW”), which is primarily Asia excluding Japan, represented $156.6 million or 41% of revenues, while sales to Europe and Japan were $69.4 million or 18% of revenues and $54.8 million or 14% of revenues, respectively. Domestic revenues were $102.8 million or 27% of revenues in the second quarter of fiscal year 2011, an increase of $28.4 million over $74.4 million or 29% of revenues in the same period of fiscal year 2010.

Geographically, revenues for the six months ended January 2, 2011 increased in each major geographical region compared to the same period of the previous fiscal year. International revenues for the six months ended January 2, 2011 were $566.6 million or 73% of revenues, an increase of $217.7 million from international revenues of $348.9 million or 71% of revenues for the same period of the previous fiscal year. Revenues for the six months ended January 2, 2011 to ROW represented $315.8 million or 41% of revenues, while sales to Europe and Japan were $141.9 million or 18% of revenues and $108.9 million or 14% of revenues, respectively. Domestic revenues were $205.6 million or 27% of revenues, an increase of $62.0 million compared to $143.6 million or 29% of revenues in the same period of fiscal year 2010.

Gross profit of $301.0 million for the quarter ended January 2, 2011 increased $106.3 million or 55% over gross profit of $194.7 million in the second quarter of fiscal year 2010. Gross profit of $605.9 million for the six months ended January 2, 2011 increased $234.6 million or 63% over gross profit of $371.3 million in the same period of fiscal year 2010. Gross profit as a percentage of revenues increased to 78.5% in the second quarter of fiscal year 2011 as compared to 76.0% for the same period in the previous fiscal year. Gross profit as a percentage of revenues increased to 78.5% for the six months ended January 2, 2011 as compared to 75.4% for the same period in the previous fiscal year. The improvements in gross profit as a percentage of revenues for the quarter and the six months ended January 2, 2011 were primarily due to spreading fixed costs over a higher sales base and higher ASP’s, partially offset by increased employee profit sharing.

Research and development (“R&D”) expenses for the quarter ended January 2, 2011 were $59.0 million, an increase of $12.3 million or 26% over R&D expenses of $46.7 million for the same period in the previous fiscal year. The increase in R&D expenses was primarily due to a $4.8 million increase in employee profit sharing and a $4.9 million increase in compensation costs. Compensation costs increased due to increased headcount; the prior year quarter having a temporary 5% reduction in base pay; and the second quarter of fiscal year 2011 having an additional week of labor costs due to the quarter having 14 weeks rather than the customary 13 weeks. In addition, R&D expense increased due to a $1.0 million increase in stock-based compensation and a $1.6 million increase in other R&D expenses, primarily mask costs.

R&D expenses for the six months ended January 2, 2011 were $115.2 million, an increase of $23.2 million or 25% over R&D expenses of $92.0 million for the same period in the previous fiscal year. The increase in R&D expenses was primarily due to a $10.8 million increase in employee profit sharing and a $8.4 million increase in compensation costs. Compensation costs increased due to increased headcount; the prior year period having a temporary 5% reduction in base pay; and the six months ended January 2, 2011 having an additional week of labor costs due to the period having 27 weeks rather than the customary 26 weeks. In addition,

R&D expense increased due to a $1.1 million increase in stock-based compensation and a $2.9 million increase in other R&D expenses such as legal and mask costs.

Selling, general and administrative expenses ("SG&A") for the quarter ended January 2, 2011 were $41.0 million, an increase of $8.5 million or 26% over SG&A expense of $32.5 million for the same period in the previous fiscal year. The increase in SG&A expense was primarily due to a $3.5 million increase in profit sharing and a $2.7 million increase in compensation costs. Compensation costs increased due to increased headcount; the prior year quarter having a temporary 5% reduction in base pay; and the second quarter of fiscal year 2011 having an additional week of labor costs due to the quarter having 14 weeks rather than the customary 13 weeks. In addition, SG&A expenses increased due to a $0.3 million increase in stock-based compensation and a $2.0 million increase in other SG&A expenses such as advertising and employee travel expenses.

SG&A expenses for the six months ended January 2, 2011 were $85.0 million, an increase of $20.9 million or 33% over SG&A expenses of $64.1 million for the same period in the previous fiscal year. The increase in SG&A expenses was primarily due to a $7.9 million increase in employee profit sharing and a $4.4 million increase in compensation costs. Compensation costs increased due to increased headcount; the prior year period having a temporary 5% reduction in base pay; and the six months ended January 2, 2011 having an additional week of labor costs due to the period having 27 weeks rather than the customary 26 weeks. In addition, SG&A increased due to a one-time legal charge of $5.3 million in the first quarter of fiscal year 2011 and a $3.3 million increase in other SG&A expenses, primarily advertising and employee travel expenses.

Interest expense was $13.5 million and $30.7 million, respectively, for the second quarter and the six months ended January 2, 2011. Interest expense decreased $5.4 million and $7.3 million, respectively, from the corresponding periods of fiscal year 2010. The decrease in interest expense was primarily due to the cash redemption of $395.8 million (the remaining principal amount) of its 2027B notes on November 1, 2010 and due to the repurchase of $154.9 million (principal amount) of the 2027A notes in the fourth quarter of fiscal year 2010.

Interest income was $1.6 million and $3.5 million, respectively, for the second quarter and the six months ended January 2, 2011, decreases of $1.8 million and $3.7 million, respectively, from the corresponding periods of fiscal year 2010. Interest income decreased 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 in the second quarter of fiscal year 2011 and a decrease in the average interest rate earned on the Company's cash, cash equivalents and marketable securities balances.

The Company's tax rate for the second quarter of fiscal year 2011 was 24% as compared to 24.5% in the same quarter of fiscal year 2010. The decrease in the effective income tax rate was primarily due to the reinstatement of the R&D tax credit retroactive to January 1, 2010. Accordingly, the Company's annual effective income tax rate for fiscal 2011 has been adjusted to include the R&D credit for the full fiscal year commencing in the second quarter. In addition, the Company's quarterly effective income tax rate of 24% for the second quarter of fiscal year 2011 includes a quarterly discrete tax benefit for the R&D credit totaling $3.5 million related to the prior fiscal year period of January 1, 2010 through June 27, 2010. Including the R&D credit for the current fiscal year, the Company's annual effective income tax rate, excluding discrete tax benefits, is currently estimated to be 26.5%. The quarterly effective income tax rate for the second quarter of fiscal year 2010 included a discrete tax benefit for the release of unrecorded tax benefits following the expiration of statutory periods under audit of certain foreign tax jurisdictions.

The Company's tax rate for the first six months ended January 2, 2011 was 25.75% as compared to 26.1% in the corresponding period of fiscal year 2010. The Company's tax rate for the fiscal year 2011 period is slightly lower due to the reinstatement of the R&D credit for the full fiscal year commencing with the second quarter, offset by higher quarterly discrete tax benefits recognized in the fiscal year 2010.

IRS Appeals and the Company have reached a tentative settlement on additional outstanding ETI refund claims that is potentially favorable for the Company. This tentative settlement, together with certain other refund claims that continue to be reviewed by the IRS, is subject to review by the Joint Committee on Taxation. There could be a significant favorable impact to the Company's uncertain tax positions and effective income tax rate during fiscal year 2011 depending on the outcome of these refund claims. It is expected that these matters will be resolved during fiscal year 2011.

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 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 decreased slightly from the first quarter of fiscal year 2011 as shipments and orders began to slow following the very rapid sequential growth the Company experienced over the past several quarters. During the second quarter of fiscal year 2011, customer order patterns began to respond to the Company's lower lead times and the customer's commensurate need for lower safety stock inventory. The Company's lead times are now at their historical four to six weeks levels. As a result, the Company had lower bookings for the quarter and a book-to-bill ratio of less than one. During the quarter, the Company retired its 2027B notes which increased net income due to the reduction in net interest expense. Looking ahead to the March quarter, several factors impact the guidance. The Company's computer business will decline as the Company's products will no longer remain in a tablet computer program. In the Company's core business of industrial, communications infrastructure and automotive, the Company may temporarily under-ship actual end-demand as customers adjust their bookings and safety stocks to comply with the Company's improved lead times. Accordingly, the Company expects that revenues and earnings will decline 6% to 10% sequentially in the third quarter of fiscal year 2011.

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 January 2, 2011, the Company's cash, cash equivalents and marketable securities balances were $748.2 million in aggregate, representing a decrease of $209.9 million from the June 27, 2010 balances of $958.1 million. The decrease was primarily due to the cash redemption of $395.8 million (principal amount) of its 2027B notes on November 1, 2010. In addition, the decrease was due to $75.9 million for capital additions; $9.3 million to purchase its common stock; and $105.9 million for the payment of cash dividends, representing $0.46 per share for the first six months of fiscal year 2011. These decreases were offset by positive cash flows from operations of $342.3 million and issuance of common stock of $36.4 million. Working capital at January 2, 2011 was $870.7 million.

Accounts receivable totaled $180.7 million at the end of the second quarter of fiscal year 2011, an increase of $3.8 million over the June 27, 2010 balance of $176.9 million. The increase is primarily due to higher shipments in the second quarter of fiscal year 2011 as compared to the fourth quarter of fiscal year 2010. Inventory totaled $64.4 million at the end of the second quarter of fiscal year 2011, an increase of $10.3 million over the fourth quarter of fiscal year 2010. The increase in inventory was primarily due to increased production capacity to reduce lead-times and higher stocking levels of certain raw materials that were previously in short supply.

Net property, plant and equipment increased $54.8 million over the fourth quarter of fiscal year 2010 due to fixed assets additions of $75.9 million offset by $21.1 million in depreciation expense. The additions were for equipment in all of the Company's facilities to increase capacity to reduce lead-times.

Accrued payroll and related benefits increased $14.1 million over the fourth quarter of fiscal year 2010 primarily due to increased employee profit sharing accrual. 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 $4.1 million at the end of the second quarter of fiscal year 2011, a decrease of $15.5 million from the fourth quarter of fiscal year 2010 primarily due to the quarterly tax payments. Other accrued liabilities of $21.2 million decreased $13.0 million from the fourth quarter of fiscal year 2010 primarily due to the payout of semi-annual interest payments. The Company makes semi-annual interest payments during the second and fourth quarter of each fiscal year.

In January 2011, the Company's Board of Directors announced that it will increase the quarterly cash dividend from $0.23 per share to $0.24 share. This marks the 19th consecutive year the Company has increased its dividend. The cash dividend of $0.24 per share will be paid on March 2, 2011 to stockholders of record on February 18, 2011. The payments of future dividends will be based on the Company's financial performance.

During the second quarter of fiscal year 2011, the Company redeemed for cash the remaining $395.8 million (principal amount) of its 2027B notes on November 1, 2010 using a portion of its existing cash and marketable securities balances. The redemption of debt did not result in any gains or losses in the statement of income. Periods subsequent to the redemption will have lower interest expense as a result of the redemption.

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 January 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 second quarter of fiscal year 2011, 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 January 2, 2011, the Company’s cash and cash equivalents, and marketable securities investment portfolio had a fair value of $589.7 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. The Company currently does not hold any investments in auction rate securities or asset backed securities. Most of the Company’s investments in debt instruments have an investment rating of 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 June 27, 2010. 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 2010. At January 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 not had a material 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* 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 January 2, 2010. 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

(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 Securities Exchange Act of 1934) occurred during the quarter ended January 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.

Certain current and former directors and officers of the Company have been named as defendants in two consolidated shareholder derivative actions filed in the United States District Court for the Northern District of California and captioned *In re Linear Technology Corporation Shareholder Derivative Litigation* (the "Federal Action"), in three consolidated shareholder derivative actions filed in the Superior Court for Santa Clara County, California, also captioned *In re Linear Technology Corporation Shareholder Derivative Litigation* (the "California State Action"), and in a shareholder derivative action filed in the Delaware Court of Chancery, captioned *Weiss v. Swanson* (the "Delaware Action"). The Company has been named in each of these actions as a nominal defendant against which no recovery is sought.

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In the California State Action, plaintiffs initially asserted claims against the individual defendants for breaching their, and aiding and abetting breaches of others', fiduciary duty in connection with the alleged backdating of stock option grants between 1995 and 2002. The plaintiffs also alleged that certain defendants were unjustly enriched, that defendants wasted corporate assets, and that the officers violated California insider trading laws. The plaintiffs sought unspecified money damages, disgorgement of profits and benefits, restitution, rescission of option contracts, imposition of a constructive trust over option contracts, and attorneys' fees and costs. On July 13, 2007, the Court sustained the Company's demurrer, and granted plaintiffs leave to amend the complaint. The Court did not address the individual defendants' demurrer.

On August 13, 2007, the plaintiffs in the California State Action filed an amended complaint, asserting claims against the individual defendants for breaching, and aiding and abetting breaches of fiduciary duty in connection with the grant of allegedly "spring-loaded" and "bullet-dodged" stock options between 1995 and 2005. The amended complaint also alleged that individual defendants were unjustly enriched, and violated California insider trading laws, and that the director defendants wasted corporate assets. Plaintiffs seek unspecified damages, disgorgement of profits and benefits, restitution, rescission of option contracts, imposition of a constructive trust over executory option contracts, and attorneys' fees and costs. On September 12, 2007, the Company and the individual defendants filed demurrers to the amended complaint. Before the demurrers were fully briefed, the parties stipulated to stay the California State Action pending the resolution of the motion to dismiss the complaint in the Delaware Action. The Delaware Court of Chancery denied that motion on March 7, 2008.

On May 5, 2008, the individual defendants moved to stay the California State Action; Linear joined in that motion. That same day, plaintiffs moved to coordinate discovery in the California State Action and the Delaware Action. The individual defendants opposed that motion and Linear joined in their opposition. In a June 18, 2008 order, the Court granted the motion to stay the California State Action, and rejected, in part, the plaintiffs' request to coordinate discovery. The Court ordered the defendants to supply the plaintiffs in the California State Action with copies of documents produced and transcripts of depositions conducted in the Delaware Action. Subsequently, on December 31, 2009, the plaintiffs filed a motion to lift the stay in the California State Action. On January 25, 2010, the individual defendants filed their opposition to this motion. On February 8, 2010, the Court issued an order

denying the plaintiffs' motion to lift the stay in the California State Action. The Court is continuing to monitor the progress of the Delaware Action.

In the Delaware Action, filed on March 23, 2007, the plaintiff alleges that the defendant directors breached their fiduciary duty by granting "spring-loaded" and "bullet-dodged" stock options to certain officers and directors between 1996 and 2005. The plaintiff also asserts claims for unjust enrichment against defendants who received the option grants. The plaintiff seeks unspecified money damages, disgorgement of profits and benefits, restitution, rescission of certain defendants' option contracts, imposition of a constructive trust over the option contracts, and attorneys' fees and costs. The defendants moved to dismiss the Delaware Action on May 25, 2007. Rather than respond, the plaintiff filed his first amended complaint on August 10, 2007, making substantially the same allegations as those in the original complaint. On September 19, 2007, the Company and the individual defendants filed a Motion to Dismiss the first amended complaint on the grounds that the plaintiff had failed to make a pre-suit demand on the Board or to plead facts demonstrating that such a demand would have been futile, and that the first amended complaint failed to state a claim against each of the individual defendants. On March 7, 2008, the Court denied the motion. Linear answered the first amended complaint on April 7, 2008.

On January 25, 2010, the plaintiff in the Delaware Action filed a motion to amend the first amended complaint. This second amended complaint was filed under seal, with a redacted copy filed publicly, on February 15, 2010. The second amended complaint adds allegations that the defendant directors breached their fiduciary duty by: (1) granting additional stock options (beyond those identified in the first amended complaint) to employees, which grants plaintiff claims were manipulated during the 1996-2005 time period; (2) granting and receiving "backdated" and/or otherwise allegedly manipulated stock options, in addition to the allegedly "spring-loaded" and "bullet-dodged" options; and (3) granting additional stock options whose exercise price did not conform to the terms of the applicable stock option plans. The defendants answered the second amended complaint on March 17, 2010.

On June 10, 2010, the officer and director defendants filed motions for summary judgment. On August 6, 2010, and thereafter on August 25, 2010, the parties in the Delaware Action stipulated to an extension of time to file opposition and reply briefs, and related pleadings. On September 23, 2010, the parties to the Delaware Action filed a stipulation and proposed order advising the Delaware Court of Chancery that they had executed a Memorandum of Understanding providing for settlement of the Delaware Action. The Court of Chancery granted the stipulation and entered the order that same day. The stipulation notes that the Memorandum of Understanding contemplates a stay of the Delaware Action and that the parties anticipate filing a Stipulation of Settlement along with a proposed Scheduling Order that would set a settlement approval hearing and a briefing schedule for the Court of Chancery's consideration of the settlement. The Court of Chancery stayed all proceedings in the Delaware Action, other than proceedings related to the review and approval of the anticipated Stipulation of Settlement.

The Stipulation of Settlement was filed with the Court of Chancery on January 27, 2011, but there can be no assurance that the Delaware Court of Chancery will approve the settlement.

Item 1A. Risk Factors

A description of the risk factors associated with the Company's business is set forth below. In addition to the risk factors discussed below, see "Factors Affecting Future Operating Results" included in "Management's Discussion and Analysis" for further discussion of other risks and uncertainties that may affect the Company.

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 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.

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, which could adversely affect our revenues and profitability. 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, increased price 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 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 has 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 unsaleable 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 second quarter of fiscal year 2011, 73% 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, or the response to any of the foregoing by the United States and other major countries.

We are a party to private litigation related to our historical stock option granting practices, in which an unfavorable outcome could have a material adverse effect on our financial results for a particular period or the trading price for our securities.

Several lawsuits have been filed against current and former directors and officers relating to our historical stock option granting practices. The Company is named as a nominal defendant in those lawsuits, the ultimate outcome of which could have a material adverse effect on our results of operations or cash flows for a particular period or the trading price for our securities. Litigation is time-consuming, expensive and disruptive to our normal business operations, and outcomes are difficult to predict. The defense of these lawsuits has resulted and will continue to result in significant legal expenditures and diversion of our management's time and attention from business operations. In addition, we have entered into indemnification agreements with our current and former directors and officers, under which we are required to indemnify those persons against expenses, including attorneys' fees, judgments, fines and settlements, payable by them in connection with this litigation, subject to applicable law. If we were required to pay any amounts to satisfy a judgment or in settlement of any of these claims, these amounts may not be covered by insurance.

For a further discussion on legal matters see "Legal Proceedings" in Part II, Item 1 of the Form 10-Q.

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., National Semiconductor Corporation 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 January 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 (September 27, 2010 – October 24, 2010)	-			-
Month #2 (October 25, 2010 – November 21, 2010)	123,804	$30.78	-	10,000,000
Month #3 (November 22, 2010 – January 2, 2011)	-	-	-	-
Total	123,804	$30.78	-	10,000,000

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 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

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: February 11, 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 ACTOF 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: February 11, 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 ACTOF 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: February 11, 2011

/s/ Paul Coghlan
Paul Coghlan
Vice President of Finance 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 January 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: February 11, 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 January 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: February 11, 2011

By: /s/ Paul Coghlan
Name: Paul Coghlan
Title: Chief Financial Officer