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Case No. 2828-VCL

EXHIBIT A

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN AND FOR NEW CASTLE COUNTY

FREDERICK WEISS, Plaintiff, v. ROBERT H. SWANSON, JR., DAVID S. LEE, RICHARD M. MOLEY, THOMAS S. VOLPE, LEO T. MCCARTHY, LOTHAR MAIER, PAUL COGHLAN, DAVID B. BELL, ROBERT C. DOBKIN, DONALD PAULUS and ALEXANDER MCCANN, Defendants, and LINEAR TECHNOLOGY CORPORATION, Nominal Defendant.	)	Civil Action No. 2828-VCL

FIRST AMENDED DERIVATIVE ACTION COMPLAINT

Plaintiff Frederick Weiss ("Plaintiff"), for his First Amended Derivative Action Complaint, based upon the investigation of his counsel, alleges as follows on information and belief, except as to paragraph 9, which is alleged on knowledge:

INTRODUCTION

1. Plaintiff brings this action derivatively in the right of, and for the benefit of, nominal defendant Linear Technology Corporation ("Linear" or the "Company") against certain members of its current and former Board of Directors and certain of its current and former executive officers (the "Defendants" as defined more specifically below) to remedy Defendants'

breaches of fiduciary duties and other violations of law which have caused damage to Linear. This action arises out of Defendants' conduct of authorizing, or through abdication of duty permitting, at the expense of Linear and its shareholders, "spring-loaded" and "bullet-dodged" stock option grants to and for the benefit of certain of Linear's officers and directors, including Defendants.

2. A stock option granted to a director, officer, or employee of a corporation allows the recipient to purchase the corporation's stock at a specified price – referred to as the "exercise price" – for a specified period of time. Stock options are granted as part of compensation packages as a means to create incentives to boost corporate profitability and stock value. When the recipient exercises the option, he or she purchases the stock from the company at the exercise price, regardless of the stock's price at the time the option is exercised. Exercise prices are almost universally set at the market price of the stock on the date of the option grant. This method ensures that employees have an incentive to work to increase the market price of the company's stock, since their options are worthless unless the market price increases.

3. Stock options are considered "spring-loaded" if the options are granted just prior to a company's release of material information reasonably expected to drive the market price of the shares higher. Conversely, the opposite effect, "bullet-dodging," is achieved by delaying the granting of options until shortly after the release by a company of materially adverse information reasonably expected to drive the market price of the shares down.

4. The practices of spring-loading and bullet-dodging permit a company to choose a grant date that, from the option recipient's perspective, is favorably determined vis-à-vis material non-public information that, when disclosed, will positively or negatively affect the company's stock price. By spring-loading an option, a company is able to ensure that its recipient receives an option with an artificially enhanced value, on which the market price (and

thus the exercise price) is lower than it should have been, given the favorable information that was known to the company at the time of the grant and that was to be made public soon after the grant. Spring-loaded options have intrinsic value and are “in the money” as of the option grant date. In the case of bullet-dodging, a company waits until materially negative non-public news that it knows to be forthcoming is announced before granting the option, thus ensuring that the option’s market price (and thus its exercise price) is lower than it would have been had the option been granted without delay, thereby increasing the probability that it will become “in the money” and thus increasing the option’s intrinsic value. When spring-loaded or bullet-dodged options are exercised, the employee pays less than he or she should for company stock, and the company receives less money for the stock than it would have had the options not been spring-loaded or bullet-dodged.

5. As detailed below, over the course of a decade, Linear issued stock options to its directors and officers that were spring-loaded and bullet-dodged. The granting of these spring-loaded and bullet-dodged options violated the purposes, spirit, intent, and objectives – if not the strict letter – of Linear’s applicable stock option plans, which provided that the exercise price per share of the options could not be less than the fair market value of the stock on the dates of the grants.

6. Additionally, Linear filed numerous inaccurate documents with the Securities and Exchange Commission (“SEC”) that deceptively conveyed the impression that stock options had been granted in a manner consistent with the purposes, intent, spirit, and objectives of governing stock option plans.

7. The granting of these spring-loaded and bullet-dodged stock options was a direct breach of Defendants’ fiduciary duties of loyalty, good faith and due care to Linear and its shareholders.

8. In addition, Defendants' conduct has unjustly enriched many of Linear's past and present officers and Directors, defined below as the Grant Recipient Defendants, to the detriment of Linear and its shareholders.

PARTIES

9. Plaintiff Frederick Weiss is a resident of Massachusetts. He is currently a shareholder of Linear and has continuously been a shareholder of Linear since January 12, 1996.

10. Plaintiff will fairly and adequately represent the interests of the shareholders of Linear in enforcing the rights of the Company.

11. Nominal Defendant Linear is a Delaware corporation with its corporate headquarters in Milpitas, California.

Director Defendants

12. Defendant Robert H. Swanson, Jr. ("Swanson") is one of the founders of Linear and has served as Executive Chairman of its Board since January 2005. From April 1999 until January 2005, he served as Chairman of the Board and CEO of Linear. Swanson also served as President from September 1981 until January 2005. He has been a Director since the incorporation of the Company in September 1981. Swanson authorized and approved Linear's spring-loaded and bullet-dodged stock options as described herein. Swanson personally benefited from the spring-loaded and bullet-dodged options.

13. Defendant David S. Lee ("Lee") has served on the Board of Linear since 1988 and on the Company's Compensation Committee since at least 1995. Lee authorized and approved Linear's spring-loaded and bullet-dodged stock options as described herein. Lee personally benefited from the spring-loaded and bullet-dodged options.

14. Defendant Richard M. Moley ("Moley") has served on the Board of Linear since 1994 and on the Company's Compensation Committee since at least 1995. Moley authorized

and approved Linear's spring-loaded and bullet-dodged stock options as described herein. Moley personally benefited from the spring-loaded and bullet-dodged options.

15. Defendant Thomas S. Volpe ("Volpe") has served on the Board of Linear since 1984 and on the Company's Compensation Committee since at least 1995. Volpe authorized and approved Linear's spring-loaded and bullet-dodged stock options as described herein. Volpe personally benefited from the spring-loaded and bullet-dodged options.

16. Defendant Leo T. McCarthy ("McCarthy") served on the Board of Linear from 1994 until November 2006. He served on the Company's Compensation Committee from at least 1995 until November 2006. McCarthy authorized and approved Linear's bullet-dodged and spring-loaded stock options as described herein. McCarthy personally benefited from the spring-loaded and bullet-dodged options.

17. Defendant Lothar Maier ("Maier") has served as a director since September 2005. He was named Chief Executive Officer of Linear Technology in January, 2005. Prior to that, Maier served as the Company's Chief Operating Officer for more than five years. Maier personally benefited from the spring-loaded and bullet-dodged options.

18. Defendants Lee, McCarthy, Moley, and Volpe are hereinafter sometimes referred to collectively as the "Compensation Committee Defendants."

19. As of the filing of this Complaint, the Board of Directors of Linear was composed of five directors, the Defendants Maier, Swanson, Lee, Moley, and Volpe, who are hereinafter sometimes referred to collectively as the "Current Director Defendants." Each of the Current Director Defendants received and personally benefited from the spring-loaded and bullet-dodged options.

20. Defendants Swanson, Lee, McCarthy, Moley, Volpe and Maier are hereinafter sometimes referred to collectively as the "Director Defendants."

21. Defendants Swanson and Maier are hereinafter sometimes referred to collectively as the "Management Director Defendants."

Management Defendants

22. In addition to the Management Director Defendants, Linear issued spring-loaded and bullet-dodged options to other "named executives" as reported in Linear's proxy statements.

23. Defendant Paul Coghlan has served as Vice President and Chief Financial Officer of Linear since December 1986. Coghlan personally benefited from the spring-loaded and bullet-dodged options.

24. Defendant David B. Bell served as President of Linear from January 2003 until January 2007. Prior to becoming President, Mr. Bell served as Vice President and General Manager of Power Products from January 2002 to June 2003, and as General Manager of Power Products from February 1999. From June 1994 to January 1999, he held the position of Manager of Strategic Product Development. Bell personally benefited from the spring-loaded and bullet-dodged options.

25. Defendant Robert C. Dobkin, a founder of the Company, has served as Vice President of Engineering and Chief Technical Officer since April 1999 and as Vice President of Engineering from September 1981 to April 1999. Dobkin personally benefited from the spring-loaded and bullet-dodged options.

26. Defendant Donald Paulus joined the Company in October 2001 and has served as Vice President, General Manager of Power Products of Linear since June 2003. Paulus personally benefited from the spring-loaded and bullet-dodged options.

27. Defendants Alexander McCann was named Chief Operating Officer of Linear Technology in January 2005. Prior to that Mr. McCann served as Vice President of Operations

since January 2004. McCann personally benefited from the spring-loaded and bullet-dodged options.

28. Defendants Swanson, Maier, Coughlan, Bell, Dobkin, Paulus and McCann are hereinafter sometimes referred to collectively as the "Management Defendants."

29. The Management Defendants and the Director Defendants are hereinafter sometimes referred to collectively as the "Grant Recipient Defendants."

30. All of the Defendants identified above (except for Nominal Defendant Linear) are hereinafter sometimes collectively referred to as the "Defendants" or "Grant Recipient Defendants."

FACTS

31. Linear was founded in 1981 as a manufacturer of high performance linear integrated circuits. Linear's products include high performance amplifiers, comparators, voltage references, monolithic filters, linear regulators, DC-DC converters, battery chargers, data converters, communications interface circuits, RF signal conditioning circuits, and many other analog functions. Applications for Linear's high performance circuits include telecommunications; cellular telephones; networking products such as optical switches; notebook and desktop computers; computer peripherals, video/multimedia, industrial instrumentation; security monitoring devices; high-end consumer products, such as digital cameras and MP3 players; complex medical devices; automotive electronics; factory automation; process control; and military and space systems.

32. Between July 1996 and July 2005, Linear, through the actions of its Board of Directors and the Compensation Committee thereof, granted stock options for the purchase of millions of shares of the Company's common stock to its past and present officers and directors, and other employees. At issue in this action are millions of those options and underlying shares,

which were granted to the Grant Recipient Defendants, and other officers and employees, so as to be either spring loaded or bullet-dodged.

A. THE SPRING-LOADING AND BULLET-DODGING OPTIONS SCHEME.

33. As detailed below, from 1996 to 2005, Linear granted millions of stock options on highly favorable terms to the Grant Recipient Defendants due to spring-loading or bullet-dodging to the detriment of the Company. The granting of these spring-loaded and bullet-dodged options violated the purposes, spirit, intent, and objectives of Linear's applicable stock option plans.

34. In addition to spring-loading and bullet-dodging options to the Grant Recipient Defendants, Linear also made spring-loaded or bullet-dodged stock option grants to and for the benefit of other officers and employees and to the detriment of the Company on the same dates that it issued such option grants to the Grant Recipient Defendants.

35. Linear has stated that it issued stock option grants in connection with "its regularly scheduled board meetings" that are scheduled "to coincide with the Company's quarterly earnings releases." *See* SEC Form 10-K, for the fiscal year ended July 2, 2006 ("2006 10-K"), p. 10. This statement is meant to imply that Linear's option grants came on pre-set dates, thus avoiding the possibility of manipulation. However, the statement was manifestly deceptive because Linear failed to disclose that generally when Defendants expected the news regarding the Company, including its earnings release, to be favorably received by the market, it issued the options in <u>advance</u> of the earnings release, and when the Defendants expected the news regarding the Company, including its earnings release, to be unfavorably received by the market, it issued the options <u>after</u> the earnings release.

36. Quarterly earnings releases were highly anticipated by Linear investors. As shown below, Linear's trading volume generally increased (often quite dramatically) following these announcements. Further, as shown below, Linear's stock was affected (often quite

dramatically) by these announcements. Director Defendants had advance knowledge of the contents of quarterly earnings releases that is not available to the public and were thus in a perfect position to take advantage of this information to issue spring-loaded and bullet-dodged stock options.

37. From public filings, Plaintiff has identified 28 option grant dates that appear to coincide with Linear's quarterly earnings releases from 1996 through 2005. Of those 28 grant dates, at least 22 – a remarkable 78.57% – fit the pattern of spring-loading and bullet-dodging described above and discussed in greater detail below.[1] On these 22 grant dates, Linear granted at least 8,424,379 split-adjusted options to its directors and officers, including all of the Defendants.

38. Defendants were remarkably successful at manipulating the stock option grant process by coordinating option grants with the release of previously non-public quarterly earnings information. A 2006 report by Merrill-Lynch compared the annualized 20-day returns from the dates of Linear's management stock option grants with investor calendar year annual returns. Merrill-Lynch found that between 1997 and 2002, management's returns for these well-chosen option grant dates exceeded investor returns by an astonishing average of 396%.

The July 23, 1996 Grant Was Spring-Loaded

39. On July 23, 1996, Linear made at least the following stock option grants to Defendants Swanson, Dopkin and Coghlan and the other officers of the Company identified below as part of a re-pricing of out-of-the-money stock options:

[1] The 28 grant dates identified by Plaintiff from available public records are the 22 dates described below as well as April 15, 1997; April 19, 2000; July 28, 2000; April 15, 2002; October 15, 2003; and January 14, 2004. With more information, it may turn out that the grants on some of these other dates were in fact bullet-dodged or spring-loaded. It is also worth noting that there may be undisclosed additional grant dates coinciding with the approximately 40 quarterly earnings releases issued between 1996 and 2005.

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Robert H. Swanson, Jr.	200,000	$24.75	800,000	$6.19
Robert C. Dobkin	150,000	$24.75	600,000	$6.19
Paul Coghlan	70,000	$24.75	280,000	$6.19
Clive B. Davies	100,000	$24.75	400,000	$6.19
Hans J. Zapf	70,000	$24.75	280,000	$6.19
Timothy D. Cox	70,000	$24.75	280,000	$6.19
Sean T. Hurley	40,000	$24.75	160,000	$6.19
Paul Chantalat	40,000	$24.75	160,000	$6.19
David A. Quarles	10,000	$24.75	40,000	$6.19
Richard Nickson	13,000	$24.75	52,000	$6.19
Robert Reay	14,750	$24.75	59,000	$6.19

40. According to Linear's 1996 Proxy Statement, the options were exercisable at $24.75 per share, "the fair market value of the Company's stock as of such date."

41. ***On that same day after the close of the market***, Linear issued an earnings release reporting record annual sales. According to Defendant Swanson:

> 1996 was a very strong year for us in sales, profits and cash growth." Linear also announced that the Company has been authorized to repurchase up to 4,000,000 shares of its stock over the next two years.

42. As expected, the market responded actively and positively to this announcement. The trading volume on July 24, 1996 was 51.93% higher than on July 23, 1996. On July 23, 1996, the date of the grants, Linear stock closed at $25.25 per share. On July 24, 1996, the day after Linear's favorable earning release, Linear stock closed at $26.75 per share. The next trading day, Linear stock closed at $28.25 per share, resulting in an 11.88% increase over two trading days after the options were granted on July 23, 1996.

43. At least some of these options were scheduled to vest by January 23, 1997, if not before.

<u>The October 16, 1996 Grant Was Bullet-Dodged</u>

44. On October 16, 1996, Linear made at least the following stock option grants to Louis Dinardo, a former Linear Vice President, for at least the following number of options:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Louis Dinardo	8,000	$35.63	26,000	$8.91

45. ***The previous day***, on October 15, 1996, Linear had issued a press release that reported increased quarterly sales and profits, but cautioned about the unpredictable environment in which the company operated. According to Defendant Swanson:

> Despite a sluggish semiconductor environment, we were able to maintain our net sales and profitability. Our return on sales of approximately 35% continues to lead the industry. We generated approximately $10 million in cash even after paying approximately $16 to repurchase shares of our own stock.
>
> ***However, in the short term, we continue to be in an unpredictable environment whereby reduced backlog and shorter lead times cause the business to be very dependent on orders that are received and shipped in the same quarter*** (emphasis added).

46. As expected, the market reacted actively and negatively to the announcement. The trading volume on October 16, 1996 was 120.21% higher than on October 15, 1996. On October 15, 1996, Linear stock closed at $40.125 per share. On October 16, 1996, the date of the stock option grants, Linear stock closed at $35.625, an 11.21% decrease from the closing price on the date of the announcement.

47. At least some of these options were scheduled to vest by October 16, 1997, if not before.

<u>The January 14, 1997 Grant Was Spring-Loaded</u>

48. On January 14, 1997, Linear made at least the following stock option grant to Louis Dinardo:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Louis Dinardo	20,000	$45.88	80,000	$11.47

49. ***On that same day after the close of the market***, Linear issued a press release announcing steady sequential sales and profits. According to Defendant Swanson: "We believe our market is improving and we are cautiously optimistic about the future."

50. As expected, the market responded actively and positively to this announcement. The trading volume on January 15, 1997 was 207.52% higher than on January 14, 1997. On January 14, 1997, the date of the grant, Linear stock closed at $46.25 per share. On January 15, 1997, the day after Linear announced its favorable quarterly report, Linear stock closed at $47.50 per share. The next trading day, Linear stock closed at $50.125 per share, resulting in an 8.38% increase over the two days after the options were granted on January 14, 1997.

51. At least some of these options were scheduled to vest by July 14, 1997, if not before.

The July 22, 1997 Grant Was Spring-Loaded

52. On July 22, 1997, Linear made at least the following stock option grants to Defendants Lee, Volpe and Moley:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
David S. Lee	8,000	$58.60	32,000	$14.65
Richard M. Moley	8,000	$58.50	32,000	$14.63
Thomas S. Volpe	8,000	$58.50	32,000	$14.63

53. ***On that same day after the close of the market***, Linear issued an earnings release reporting record annual sales and profits and a strong fourth quarter. Linear also announced that it would increase its cash dividend from $0.05 per share to $0.06 per share. According to Defendant Swanson:

> 1997 was a character testing year for us. It started off slowly in a sluggish demand environment for us and our competitors. Consequently our sales were flat for the first two quarters. During this period we continued significant plant expansion and yet we were able to basically maintain our industry leading rate of profitability as a percent of sales. Our business accelerated nicely in the second half of the year and we concluded the year attaining record bookings, sales and net profit. We are going into the new year with good momentum.

54. As expected, the market responded actively and positively to this announcement. The trading volume on July 23, 1997 was 60.32% higher than on July 22, 1997. On July 22, 1997, the date of the grants, Linear stock closed at $58.50 per share. On July 23, 1997, the day after Linear's favorable earnings release, Linear stock closed at $62.25 per share. The next trading day, Linear stock closed at $63.125 per share, resulting in a 7.91% increase over two days after the options were granted on July 22, 1997.

55. At least some of these options were scheduled to vest by July 22, 1998, if not before.

The January 12, 1998 Grant Was Spring-Loaded

56. On January 12, 1998, Linear made at least the following stock option grants to Defendants Swanson, Dopkin and Coughlan and other officers of the Company identified below:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Robert H. Swanson, Jr.	125,000	$51.875	500,000	$12.97
Paul Coghlan	45,000	$51.875	180,000	$12.97
Robert C. Dobkin	95,000	$51.875	380,000	$12.97
Timothy D. Cox	35,000	$51.875	140,000	$12.97
Clive B. Davies	65,000	$51.875	260,000	$12.97
Hans J. Zapf	40,000	$51.875	160,000	$12.97
David A. Quarles	16,000	$51.875	64,000	$12.97

57. ***The very next day***, on January 13, 1998, Linear issued an earnings release reporting record sales and profits. According to Defendant Swanson:

> We had another strong quarter achieving record levels for sales and profits. Cash grew by $6.7 million after paying $50.5 million to purchase back stock. Demand for our products remained strong and well-diversified across end markets. The turmoil in Asian financial markets did not have a material impact on our business in this quarter, although we continue to closely monitor this geographical area for its impact in the future.

58. As expected, the market responded actively and positively to this announcement. The trading volume on January 14, 1998 was 79.41% higher than on January 13, 1998. On January 12, 1998, the date of the grants, Linear's stock closed at $51.9375 per share. On January 13, 1998, the day of Linear's favorable earnings release, Linear stock closed at $54.625 per share. The next trading day, Linear stock closed at $58.625 per share, resulting in a 12.88% increase over two days after the options were granted on January 12, 1998.

59. At least some of these options were scheduled to vest by July 12, 1998, if not before.

<u>The July 22, 1998 Grant Was Bullet-Dodged</u>

60. On July 22, 1998, Linear made at least the following stock option grants to Defendants Lee, Volpe, Moley and Bell:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
David S. Lee	8,000	$60.25	32,000	$15.06
Richard M. Moley	8,000	$60.25	32,000	$15.06
Thomas S. Volpe	8,000	$60.25	32,000	$15.06
David B. Bell	20,000	$60.25	80,000	$15.06

61. ***The previous day***, on July 21, 1998, Linear had issued a press release which reported quarterly sales and earnings at the "low end" of its anticipated results and which predicted significantly lower sales and profits in the next quarter. According to Defendant Swanson:

> Fiscal 1998 was a good year for Linear Technology as we achieved record levels of sales, earnings and cash and short-term investments. Aided by a strong beginning backlog we were able to meet the low end of our sales and profit goals for the fourth quarter. However, ***the year concluded with weakening demand. Business activity slowed down as the quarter progressed and bookings were lower than the previous quarter as customers pushed out ordering either in response to diminished end user demand or to take advantage of shorter supplier lead times. Consequently, we believe our business going forward will be negatively impacted and next quarter could be 10 to 15% lower in sales and profits than the quarter just reported.*** As we have demonstrated in the past, we believe we can maintain profitability roughly in proportion to sales and achieve similar rates of return on sales (emphasis added).

62. As expected, the market reacted actively and negatively to the announcement. As reported in Marketwatch:

> Shares of chipmaker Linear Technology Inc. (LLTC) fell 9 percent after the company met fourth-quarter earnings expectations but forecast a slump in the current quarter. Linear Tech earned 62 cents a share, meeting the consensus estimate of analysts surveyed by First Call. However, the company forecast a profit and revenue decline of 10 to 15 percent in the first quarter, due to slower order activity. Shares closed down 5 7/8 at 60 1/4.

63. The trading volume on July 22, 1998 was 379.22% higher than on July 23, 1998. On July 21, 1998, Linear stock closed at $66.125 per share. On July 22, 1998, the date of the

stock option grants, Linear stock closed at $60.25, an 8.88% decrease from the closing price on the date of the announcement.

64. At least some of these options were scheduled to vest by January 22, 1999, if not before.

The January 12, 1999 Grant Was Spring-Loaded

65. On January 12, 1999, Linear made at least the following stock option grant to Louis Dinardo:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Louis Dinardo	40,000	$43.81	160,000	$10.95

66. ***On that same day after the close of the market***, Linear issued a press release announcing increased sales and profits for the quarter. According to Defendant Swanson:

> ***This quarter proved to be stronger than we initially expected, as the general worldwide economic climate improved.*** We grew sales and profits 3% sequentially from the previous quarter and added $35.6 million to our cash balance. Our return on sales is an industry leading 38.2%. Orders from our customers improved as the quarter progressed although customers continue to be cautious and generally order only to meet immediate needs. Given these improving business conditions, we would expect this March quarter to be representative of our historical growth patterns (emphasis added).

67. As expected, the market responded actively and positively to this announcement. The trading volume on January 13, 1999 was 229.81% higher than on January 12, 1999. On January 12, 1999, the date of the grant, Linear stock closed at $87.625 per share. On January 13, 1999, the day after Linear announced its favorable quarterly report, Linear stock closed at $99.8125 per share. The next trading day, Linear stock closed at $98.0625 per share, resulting in an 11.91% increase over the two days after the options were granted on January 12, 1997.

68. At least some of these options were scheduled to vest by July 12, 1999, if not before.

The April 13, 1999 Grant Was Spring-Loaded

69. On April 13, 1999, Linear made at least the following stock option grants to Defendants Swanson, Dopkin and Coughlan and other officers of the Company identified below:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
Robert H. Swanson, Jr.	100,000	$56.3125	200,000	$28.16
Paul Coghlan	35,000	$56.3125	70,000	$28.16
Robert C. Dobkin	45,000	$56.3125	90,000	$28.16
Clive Davies	65,000	$56.3125	130,000	$28.16
Hans J. Zapf	25,000	$56.3125	50,000	$28.16
Timothy Cox	20,000	$56.3125	40,000	$28.16
V. Paul Chantalat	12,000	$56.3125	24,000	$28.16

70. ***On that same day, after the close of the market***, Linear issued an earnings release reporting increased sales and record profits and announced that it had raised its cash dividend to $0.04 per share. According to Defendant Swanson:

> This March quarter was a good quarter for us as we returned to our historic growth patterns by increasing sales 8% and profit 9% sequentially over the previous quarter. Our profits in absolute dollars at $49,828,000 and as a return on sales, 38.3%, were our highest ever reported. Orders from our customers continued strong throughout the quarter and were well diversified by both geographic regions and end-market applications. Given these good business conditions, we expect this June quarter to have continuing sequential sales and profit growth.

71. As expected, the market responded actively and positively to this announcement. The trading volume on April 14, 1999 was 123.61% higher than on April 13, 1999. On April 13, 1999, the date of the grants, Linear's stock closed at $56.375 per share. On April 14, 1999, the day after Linear's favorable earnings release, Linear stock closed at $61.00 per share. The next trading day, Linear stock closed at $63.4375 per share, resulting in a 12.53% increase over the

two days after the options were granted on April 13, 1999.

72. At least some of these options were scheduled to vest by October 13, 1999, if not before.

<u>The July 20, 1999 Grant Was Spring-Loaded</u>

73. On July 20, 1999, Linear made at least the following stock option grants to Defendants Lee, Volpe and Moley:

Grant Recipient	Number of Shares	Exercise Price	Split Adjusted Number of Shares	Split Adjusted Exercise Price
David S. Lee	16,000	$65.26	32,000.00	$32.63
Richard M. Moley	16,000	$65.26	32,000.00	$32.63
Thomas S. Volpe	16,000	$65.26	32,000.00	$32.63

74. ***<u>On that same day after the close of the market</u>***, Linear issued an earnings release reporting annual and quarterly sales and profits:

> ***For fiscal 1999 we had record levels of sales, profits and cash and short-term investments as we finished the year strongly.*** The June quarter was a record quarter for us; we increased sales 8% and profits 9% sequentially over the previous quarter. Our Return on Sales (ROS) of 38.6% is the highest we have ever reported. Orders from our customers continued strong and were once again well diversified by both geographic regions and end-market applications. As we commence our first fiscal year in the new millennium, we are encouraged by the increasing opportunity for high performance analog circuits in a broad range of new electronic products. ***Given these good business conditions we expect the September quarter to have continuing sequential sales and profit growth.*** (emphasis added).

75. According to Defendant Swanson, the company reported fourth-quarter net income of $54.2, or 34 cents per share, a 9 percent increase from the $49.5 million, or 31 cents, posted in the year-earlier quarter.

76. Defendants expected that the price of Linear stock would rise as a result of that announcement and, as was their pattern and practice described above, they issued the July 21,

1999 stock option grants prior to publicly disclosing their annual and fourth quarter results. Notwithstanding the positive news, with the overall market down on July 21, 1999, Linear's stock price did not go up as anticipated.

The January 16, 2001 Grant Was Spring-Loaded

77. On January 16, 2001, Linear made at least the following stock option grants:

Grant Recipient	Number of Shares	Exercise Price
Robert Reay	40,000	$52.94
Robert G. Swartz	22,500	$52.94

78. ***On that same day after the close of the market***, Linear issued a press release reporting record sales and profits. As expected, the market responded actively and positively to this announcement. The trading volume on January 17, 2001 was 209.38% higher than on January 16, 2001. On January 16, 2001, the date of the grant, Linear stock closed at $52.94 per share. On January 17, 2001, the day after Linear's favorable earnings release, Linear stock closed at $60.50 per share. The next trading day, Linear stock closed at $65.06 per share, resulting in a 22.89% increase over two days after the grant of options on January 16, 2001.

The April 17, 2001 Grant Was Spring-Loaded

79. On April 17, 2001, Linear made at least the following stock option grants to Defendants Swanson, Dopkin, Coughlan and Maier and other officers of the Company identified below:

Grant Recipient	Number of Shares	Exercise Price
Clive B. Davies	75,000	$38.25
David A. Quarles	20,000	$38.25
Lothar Maier	30,000	$38.25
Paul Coghlan	75,000	$38.25
Robert C. Dobkin	70,000	$38.25
Robert H. Swanson, Jr.	500,000	$38.25
Timothy D. Cox	24,000	$38.25
V. Paul Chantalat	20,000	$38.25

80. ***On that same day after the close of the market***, Linear issued an earnings release reporting record quarterly sales and profits, and increased its cash dividend to $0.04 per share.

81. As expected, the market responded actively and positively to this announcement. As reported in Marketwatch:

> Linear Technology (LLTC) rose 15 percent after the Mipitas, Calif., integrated circuit firm reported third-quarter earnings of $125.7 million, or 38 cents a shares, up from a year-ago profit of $75.9 million, or 23 cents a share, and 2 cents ahead of Wall Street views. Sales rose 52 percent in the latest three months to $282 million from $285.1 million in the same period a year earlier. Linear also boosted its quarterly dividend to 4 cents a share from 3 cents a share. However, the company warned that revenue and profit in the fourth quarter would decline from 20 to 20 percent on a sequential basis due to diminished demand as customers strive to work off large inventories. Shares close up $5.81 at $44.50.

82. The trading volume on April 18, 2001 was 130.57% higher than on April 17, 2001. On April 17, 2001, the date of the grants, Linear's stock closed at $38.69 per share. On April 18, 2001, the day after Linear's favorable earnings release, Linear stock closed at $44.50 per share. The next trading day, Linear stock closed at $50.63 per share, resulting in a 30.86% increase over two days after the grant of options on April 17, 2001.

83. At least some of these options were scheduled to vest by October 17, 2001, if not before.

<u>The July 25, 2001 Grant Was Bullet-Dodged</u>

84. On July 25, 2001, Linear made at least the following stock option grants to Defendants Lee, McCarthy, Volpe and Moley:

Grant Recipient	Number of Shares	Exercise Price
David S. Lee	20,000	$37.79
Leo T. McCarthy	20,000	$37.79
Richard M. Moley	20,000	$37.79
Thomas S. Volpe	20,000	$37.79

85. ***The previous day***, on July 24, 2001, Linear reported that quarterly sales and profits were down, and that it anticipated that the slump would continue into the next quarter. According to Defendant Swanson:

> We grew almost 40% in each of the last two fiscal years and it now appears that some portion of this growth stayed in customers' inventory rather than becoming part of a final product sale. However, heavy cancellations, which continued in the June quarter, appear to be behind us and recent quote activity may be the first indication that inventory and demand are coming into balance at some customers. ***While we believe our current bookings levels are far below actual customer consumption levels, nevertheless, based on continuing weak internal bookings forecasts for the next quarter, our sales could fall again by a similar amount to that which we experienced during the June quarter***. The company still expects to continue to be very profitable even at such reduced sales levels. ***Accordingly, we have made some modest reductions in staff and expense levels to bring productivity more in line with anticipated demand.*** In conclusion, we are a very diversified supplier of high performance analog IC's into the electronics market. The market is currently undergoing some severe adjustments, however, we believe the long term prospects for it and Linear Technology are still excellent. (emphasis added).

86. As expected, the market reacted actively and negatively to the announcement. As reported in Marketwatch: "Linear Technology LLTC led decliners in the Sox. Shares fell 4.9 percent to $37.79 on heavy volume."

87. The trading volume on July 25, 2001 was 191.63% higher than on July 24, 2001. On July 24, 2001, Linear stock closed at $39.72 per share. On July 25, 2001, when the grants were issued, Linear stock closed at $37.79, a 4.86% decrease from the closing price on the date of the earnings announcement.

88. At least some of these options were scheduled to vest by July 25, 2002, if not before.

<u>The October 17, 2001 Grant Was Bullet-Dodged</u>

89. On October 17, 2001, Linear made at least the following stock option grants to Defendant Paulus and to the other officers of the Company identified below:

Grant Recipient	**Number of Shares**	**Exercise Price**
David A. Quarles	20,000	$36.52
Donald E. Paulus	75,000	$36.52
Richard Nickson	20,000	$36.52

90. ***The previous day***, on October 16, 2001, Linear issued an earnings release reporting reduced sales and reduced backlog. According to Defendant Swanson:

> ***These have been difficult times for technology companies. As we had forecasted, sales declined from the previous quarter by 40%. Although our bookings improved, they were still less than our billings and, consequently, we further reduced backlog.*** However, we continue to be strongly profitable, even with reduced sales, as demonstrated by our 38% return on sales. ***We incurred charges for severance costs associated with a modest reduction in workforce of approximately $900,000*** and we donated $500,000 to assist those people in New York impacted by the September 11th attack. Although we had a reduction in workforce, we are still staffed and building product in anticipation of improved demand. However, much of the incremental inventory our current workforce has produced has been expensed. Looking forward, we have recently seen some modest improvement in our booking activity across all of our major end markets. ***However, our backlog is low and global economic conditions are tenuous given the on-going political events.*** Therefore, confidently and accurately forecasting future results is more difficult. ***Consequently, while we anticipate improved bookings, we expect sales and profits in the December quarter to be similar to those just achieved.*** (emphasis added).

91. As expected, the market reacted actively and negatively to the announcement. The trading volume on October 17, 2001 was 76.43% higher than on October 16, 2001. On October 16, 2001, Linear stock closed at $41.08 per share. On October 17, 2001, when the grants were issued, Linear stock closed at $37.04 per share, a 9.83% decrease below the closing price on the date of the earnings announcement.

92. At least some of these options were scheduled to vest by April 17, 2002, if not before.

The July 26, 2002 Grant Was Bullet-Dodged

93. On July 26, 2002, Linear made at least the following stock option grants to Defendants Bell, Lee, Paulus, McCarthy, Maier, Coghlan, Moley, Dobkin, Swanson and Volpe and to the other officers of the Company identified below:

Grant Recipient	Number of Shares	Exercise Price
Clive B. Davies	186,220	$25.05
David A. Quarles	27,139	$25.05
David B. Bell	78,890	$25.05
David S. Lee	20,000	$25.05
Donald E. Paulus	11,780	$25.05
Leo T. McCarthy	20,000	$25.05
Lothar Maier	100,060	$25.05
Paul Coghlan	146,690	$25.05
Richard M. Moley	20,000	$25.05
Richard Nickson	28,480	$25.05
Robert C. Dobkin	118,060	$25.05
Robert G. Swartz	35,690	$25.05
Robert H. Swanson, Jr.	381,400	$25.05
Robert Reay	37,520	$25.05
Thomas S. Volpe	20,000	$25.05
V. Paul Chantalat	43,520	$25.05
William Gross	71,930	$25.05

94. ***Three days earlier***, on July 23, 2002, Linear reported reduced annual sales and profits. According to Defendant Swanson:

> Fiscal 2002 was a tough year, however, even in a difficult environment the Company was highly profitable and cash flow positive. The quarter just ended was our strongest quarter within the year as sales and profits grew 8% and 7% respectively over the March quarter. Operating income grew 10% sequentially and our return on sales was 39% for the quarter. ***Although we have seen improvements across end markets in the last two quarters, our backlog, while improving, is still low. General business conditions continue to be tenuous and visibility remains low as customers order only to supply immediate demand.*** Therefore, confidently and accurately forecasting future financial results remains difficult. We are well positioned in some new programs at

> customers, which could ramp up late in the September quarter and in the following quarter. The summer, or September quarter, is historically our slowest and in the current business environment, we expect that to be true this year also. ***Consequently, we estimate that sales and profits will remain similar to the June quarter with growth resuming in the December quarter.*** (emphasis added).

95. As expected, the market reacted actively and negatively to the announcement. The trading volume on July 24, 2002 was 57.85% higher than on July 23, 2001. On July 23, 2002, Linear stock closed at $28.09. On July 26, 2002, when the grants were issued, Linear stock closed at $25.16 per share, a 10.43% decrease from the closing price on the date of the earnings announcement.

96. At least some of these options were scheduled to vest by January 26, 2003, if not before.

<u>The January 15, 2003 Grant Was Bullet-Dodged</u>

97. On January 15, 1003, Linear made at least the following stock option grants to Defendant Paulu, and to the other officers of the Company identified below:

Grant Recipient	Number of Shares	Exercise Price
David A. Quarles	17,500	$29.37
Donald E. Paulus	15,000	$29.37
Richard Nickson	17,500	$29.37
Robert G. Swartz	15,000	$29.37

98. ***The previous day***, on January 14, 2003, Linear issued an earnings release, which reported only slight growth of sales and earnings over the previous quarter and reported that order backlog remained low. According to Defendant Swanson:

> We grew this quarter slightly over the previous quarter and significantly over the similar quarter in the prior year. We continue to be strongly profitable as demonstrated by our 39% return on sales and also strongly cash flow positive. We have turned in these good results during difficult economic times. ***Lead times and backlog are low and customers continue to order only to near term demand.*** Therefore, confidently and accurately forecasting short-term future results continues to be difficult.

> However, the March quarter is customarily stronger for us and we expect some improvement in demand. Consequently, we estimate that sales and profits will grow in mid single digits, 3% to 7%, from the December quarter.

99. As expected, the market reacted actively and negatively to the announcement. The trading volume on January 15, 2003 was 14.93% higher than on January 14, 2003. On January 14, 2003, Linear stock closed at $30.82 per share. On January 15, 2003, when the grants were issued, Linear stock closed at $29.37, a 4.70% decrease from the closing price on the date of the earnings announcement.

100. At least some of these options were scheduled to vest by July 15, 2003, if not before.

<u>The July 22, 2003 Grant Was Spring-Loaded</u>

101. On July 22, 2003, Linear made at least the following stock option grants to Defendants Bell, Lee, Paulus, McCarthy, Maier, Moley, and Volpe, and to the other officers of the Company identified below:

Grant Recipient	**Number of Shares**	**Exercise Price**
David B. Bell	100,000	$35.20
David S. Lee	20,000	$35.20
Donald E. Paulus	35,000	$35.20
Leo T. McCarthy	20,000	$35.20
Lothar Maier	50,000	$35.20
Richard M. Moley	20,000	$35.20
Robert Reay	25,000	$35.20
Thomas S. Volpe	20,000	$35.20

102. ***The same day after the close of the market***, Linear issued an earnings release reporting annual and quarterly increases in sales and profits. Defendant Swanson described fiscal 2003 as "a successful, but challenging year" with solid growth in a "modestly improving economic environment." Linear's results beat market expectations by $0.01 per share.

103. As expected, the market responded positively to this announcement. The trading volume on July 23, 2001 was 5.62% higher than on July 22, 2001. On July 22, 2003, the date of the grants, Linear's stock closed at $35.16 per share. On July 23, 2003, the day after Linear's favorable earnings release, Linear stock closed at $36.65 per share, a 4.24% increase.

104. At least some of these options were scheduled to vest by January 22, 2004, if not before.

<u>The April 13, 2004 Grant Was Spring-Loaded</u>

105. On April 13, 2004, Linear made at least the following stock option grants:

Grant Recipient	**Number of Shares**	**Exercise Price**
Richard Nickson	20,000	$39.24
David A. Quarles	20,000	$39.24

106. ***The same day after the close of the market***, Linear issued an earnings release reporting significantly increases sales and profits over the prior year and quarter. Linear's results beat market expectations by $0.02 per share. According to Defendant Swanson:

> ***This was another strong quarter for us.*** Sales grew 12% and profits 15% sequentially over the December quarter. ***Demand for our products has continued to be robust, increasing in each major end-market, led by industrial and communications, and increasing also in every major geographical area.*** Our return on sales was 41%. We generated approximately $83 million in cash and short-term investments, before purchasing the shares of our stock referred to above. ***In each of the last three quarters we have accelerated our year over year sales and profit growth. Looking forward, we are experiencing very broad based strength in our market place and, should these current trends continue, we expect to grow sales by roughly a similar percentage in the June quarter to the quarter just completed.*** (emphasis added).

107. On April 13, 2004, the date of the grants, Linear's stock closed at $39.24 per share. As expected, as reported in the media, "shares of Linear gained in after hour trading after the chipmaker posted third-quarter results that beat analysts' expectations." However, a poor earnings report by Intel after the close of the market on April 13, 2004 held down the price of

peer stocks, such as Linear. Hence, Linear's stock price closed at $39.35 per share on April 14, 2004, up only slightly from the price at which the options issued on April 13, 2004, were granted.

108. At least some of these options were scheduled to vest by October 13, 2004, if not before.

The July 20, 2004 Grant Was Spring-Loaded

109. On July 20, 2004, Linear made at least the following stock option grants to Defendants Lee, McCarthy, Moley and Volpe:

Grant Recipient	Number of Shares	Exercise Price
David S. Lee	20,000	$37.05
Leo T. McCarthy	20,000	$37.05
Richard M. Moley	20,000	$37.05
Thomas S. Volpe	20,000	$37.05

110. ***The same day, after the close of the market***, Linear issued an earnings release reporting a strong year with annual and quarterly increases in sales and profits. Linear's results beat market expectations by $0.01 per share. According to Defendant Swanson:

> ***Fiscal 2004 was a very strong year for Linear with momentum building steadily as each of the quarters had accelerated year over year growth in sales and profits***. Accordingly, we closed the year with our strongest quarter growing sales 14% and profits 16% sequentially over the March quarter. Typically the summer quarter, which we are entering, is the quarter with the lowest sequential growth, generally low single digits. ***However, this year, given the broad based strength we are experiencing in our marketplace, should these current trends continue, we expect to have a seasonally strong start to our new fiscal year with sales growing roughly 5% to 7% sequentially from the quarter just completed.*** (emphasis added).

111. As expected, the market responded actively and positively to announcement. The trading volume on July 21, 2004 was 114.83% higher than on July 20, 2004. On July 20, 2004, the date of the grants, Linear's stock closed at $37.22 per share. As reported by Marketwatch:

"Linear Technology shares surged 7 percent in Tuesday's extended session after the chipmaker topped Wall Street targets for its fiscal fourth quarter."

112. On July 21, 2004, the day after Linear's favorable earnings release, Linear stock closed at $37.28 per share. The next trading day, Linear stock closed at $38.81 per share, resulting in a 4.27% increase over the two days after the grant of the options on July 20, 2004.

113. At least some of these options were scheduled to vest by July 20, 2005, if not before.

The October 14, 2004 Grant Was Bullet-Dodged

114. On October 14, 2004, Linear made at least the following stock option grants to Defendants Bell and Paulus, and Robert Reay, an officer of the Company:

Grant Recipient	Number of Shares	Exercise Price
David B. Bell	75,000	$36.12
Donald E. Paulus	35,000	$36.12
Robert Reay	25,000	$36.12

115. ***Two days earlier***, on October 12, 2004, Linear had issued an earnings release, which reported only slight growth, softening bookings and easing of demand. According to Defendant Swanson:

> Sales grew 6% sequentially from the June quarter and we continued to be cash flow positive and strongly profitable as evidenced by our 41% return on sales. ***However, during the quarter bookings softened moderately. End-demand appeared to ease as shipments from both our international and domestic distributors to their end customers decreased slightly. These changes were moderate.*** Therefore it is difficult to conclude whether these trends reflect mostly tightening of inventory in these various channels combined with minor seasonal end-demand reductions, or whether end-demand will soften more substantially in the coming quarter. Specific to Linear Technology, we presently view this tightening as temporary. Our ending on-hand inventory at distributors is lean; cancellations are still minimal; and, lead times have remained unchanged at 4 to 6 weeks. (emphasis added).

116. As expected, the market reacted negatively to the announcement. On October 12, 2004, Linear stock closed at $36.48 per share. On October 14, 2004, when the grants were issued, Linear stock closed at $36.12, a 1% decrease from the closing price on the date of the earnings announcement.

117. At least some of these options were scheduled to vest by April 14, 2005, if not before.

The January 18, 2005 Grant Was Spring-Loaded

118. On January 18, 2005, Linear made at least the following stock option grants to Defendants Coghlan, Dobkin and V. Paul Chantalat, an officer of the Company:

Grant Recipient	**Number of Shares**	**Exercise Price**
Paul Coghlan	70,000	$37.03
Robert C. Dobkin	40,000	$37.03
V. Paul Chantalat	25,000	$37.03

119. ***The same day after the close of the market,*** Linear issued an earnings release reporting increased revenue and profit over the prior year. Linear also announced an increase in its quarterly dividend by 25% to $0.10 per share. According to Defendant Maier, "bookings improved slightly during the quarter, particularly late in the quarter…. Our ending on-hand inventory at distributors is lean; cancellations are still minimal; and, lead times have remained unchanged at 4 to 6 weeks."

120. As expected, the market responded actively and positively to announcement. The trading volume on January 19, 2005 was 48.12% higher than on January 18, 2005. On January 18, 2005, the date of the grants, Linear's stock closed at $37.03 per share. On January 19, 2005, the day after Linear's favorable earnings release, Linear stock closed at $37.61 per share. The next trading day, Linear stock closed at $37.60 per share, resulting in a 1.54% increase over two days after the grant of the options on January 18, 2005.

121. At least some of these options were scheduled to vest by July 18, 2005, if not before.

The April 20, 2005 Grant Was Bullet-Dodged

122. On April 20, 2005, Linear made at least the following stock option grants to Defendants McCann and Maier, as follows:

Grant Recipient	Number of Shares	Exercise Price
Alexander McCann	35,000	$35.61
Lothar Maier	150,000	$35.61

123. ***The previous day***, on April 19, 2005, Linear had issued an earnings release that, although reporting increased revenue and profit over the prior year's quarter, forecast anemic revenue growth for the following quarter, which forecast was well below Wall Street's expectations. According to Defendant Maier:

> ***With regard to the upcoming quarter, these continue to be challenging times to forecast. Many customers are cautious given the general concerns in the macroeconomic environment.*** We expect end demand to be relatively stable with bookings increasing slightly over the prior quarter. Additional royalty revenue under the license agreement does not commence until the September quarter. However, we expect sequential product revenues in the June quarter to increase 2% to 3% over the quarter just ended. Consequently, we expect total revenue in the range of $255 million to $258 million.

124. As expected, the market reacted actively and negatively to the announcement. As reported in the media: "Computer chipmaker Linear Technology fell 6.9% to $35.61. Late Tuesday, it said fourth-quarter results would fall shy of Wall Street's expectations due to the broad economic environment."

125. The trading volume on April 20, 2005 was 102.71% higher than on April 19, 2005. On April 19, 2005, Linear stock closed at $38.12 per share. On April 20, 2005, when the

grants were issued, Linear stock closed at $35.61, a 6.58% decrease from the closing price on the date of the negative forecast.

126. At least some of these options were scheduled to vest by October 20, 2005, if not before.

<u>The July 27, 2005 Grant Was Bullet-Dodged</u>

127. On July 27, 2005, Linear made at least the following stock option grants to Defendants Lee, McCarthy, Moley and Volpe:

Grant Recipient	Number of Shares	Exercise Price
David S. Lee	20,000	$39.31
Leo T. McCarthy	20,000	$39.31
Richard M. Moley	20,000	$39.31
Thomas S. Volpe	20,000	$39.31

128. ***The previous day***, on July 26, 2005, Linear issued an earnings release, which reported fourth quarter revenues that fell short of analysts' estimates. The Company also predicted that sales and revenues for the following quarter would not grow. This prediction was well below Wall Street's expectations. According to Defendant Maier:

> The September quarter that we are entering is difficult to confidently forecast. It is typically a slow quarter for industrial and communication business, yet typically shows growing strength in consumer oriented businesses, as the build period for year end holiday sales approaches. ***Further, while we expect our bookings to increase over the prior quarter, we enter the quarter requiring a modestly higher percentage of "turns" business, which is orders that must be both booked and shipped in the period. Consequently, we currently expect sales to be similar to the quarter just completed.*** (emphasis added).

129. As expected, the market reacted actively and negatively to the announcement. As reported by MarketWatch: "Linear Technology (LLTC) which makes chips for telecommunication equipment and cellphones, fell over 3% to 39.31. Its fiscal fourth quarter revenue fell short of analyst's estimates."

130. The trading volume on July 27, 2005 was 161.07% higher than on July 26, 2005. On July 26, 2005, Linear stock closed at $40.68 per share. On July 27, 2005, when the grants were issued, Linear stock closed at $39.31, a 3.37% decrease from the closing price on the date of the negative announcement.

131. At least some of these options were scheduled to vest by July 27, 2006, if not before.

B. <u>THE STOCK OPTION PLANS.</u>

132. During the relevant time period, Linear had in place three stock option plans pertaining to stock options grants to the Company's officers and directors: the 1988 Stock Option Plan, as amended (the "1988 Plan"), the 1996 Incentive Stock Option Plan, as amended (the "1996 Plan"), and the 2005 Equity Incentive Plan (the "2005 Plan").[2] The spring-loading and bullet-dodging scheme described herein, violated the purposes, spirit, intent, and objectives of these plans.

133. As described in Linear's Annual Reports on Form 10-K filed with the Securities and Exchange Commission between 1995 and 2006, "the Company has stock option plans under which options to purchase shares of the Company common stock may be granted to employees and directors ***at a price no less than the fair market value as of the date of the grant.***" (emphasis added).

134. The 1988 Plan was to be administered "in compliance with Rule 16b-3 promulgated under the Exchange Act or any successor thereto ("Rule 16b-3")" by the Company's Board of Directors, or a Committee designated by the Board to administer the plan. 1988 Plan, §4(a). Rule 16-b3 has specific requirements as to the independence of the body authorizing option grants in certain circumstances. The 1988 Plan does not permit delegation of

option granting authority to any body or individual other than the Board or a Board Committee. The Board or the Committee is specifically responsible under the1988 Plan for making option grants and determining the exercise price of stock options.

135. Under the 1988 Plan (§8(a)):

> ***the per Share Exercise Price for the Shares to be issued pursuant to exercise of an Option shall be such price as is determined by the Board, but shall in no event be less than the fair market value per Share on the date of grant of the Option****….* The fair market value shall be determined by the Board in its discretion; provided, however, that where there is a public market for the Common Stock, the fair market value shall be the mean of the reported bid and asked price for the Common Stock as of the date of the grant, or, in the event the Common Stock is listed on a stock exchange, the fair market value per Share shall be the closing price of the exchange as of the date of the grant of the Option. (emphasis added).

136. The 1996 Plan was adopted by the Company's Board of Director in July 1996 and approved by the Company's shareholders in November, 1996, pursuant the Company's Proxy Statement, filed with the SEC on October 3, 1996 (the "1996 Proxy Statement"), which attached a copy of the 1996 Plan.

137. The 1996 Plan, like the 1988 Plan, was to be administered by the Company's Board of Directors, or a Committee designated by the Board to administer the plan. 1996 Plan, §§2(a), 4. "To the extent that the Administrator determines it to be desirable to qualify Options granted hereunder as 'performance-based compensation' within the meaning of Section 162(m) of the Internal Revenue Code, the Plan shall be administered by a Committee of two or more 'outside directors' within the meaning of Section 162(m) of the Internal Revenue Code." 1996 Plan, §4. The 1996 Plan does not permit delegation of option granting authority to any body or individual other than the Board or a Board Committee. The Board or the Committee is

[2] The Company also had in place the 2001 Nonstatutory Stock Option Plan, however, the Company could not grant options to its officers and directors under that plan.

specifically responsible under the 1996 Plan for making option grants and determining the exercise price of stock options. Transactions under the 1996 Plan that are intended to qualify under Rule 16-b3 must meet meet Rule 16-b3's specific requirements as to the independence of the body authorizing option grants in certain circumstances.

138. Under the 1996 Plan:

> The per share exercise price for the Shares to be issued pursuant to exercise of an Option shall be determined by the Administrator, subject to the following:
>
> (i) In the case of an Incentive Stock Option
>
> (A) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant.
>
> (B) granted to any Employee other than an Employee described in paragraph (A) immediately above, ***the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.***
>
> (ii) In the case of a Non-statutory Stock Option, the per Share exercise price shall be determined by the Administrator. In the case of a Non-statutory Stock Option intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code, ***the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.*** (emphasis added).

139. The 1996 Plan (§2(m)) provided that "fair market value" would be determined as follows:

> (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing bid price for such stock as quoted on such exchange or system for the last market trading day prior to the time of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

> (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;
>
> (iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

140. In 1998, Linear solicited shareholder approval of amendments to the 1996 Plan to increase the number of shares reserved for issuance by an additional 4,000,000 shares of Common Stock, for an aggregate of 8,000,000 shares reserved for issuance, pursuant to a Proxy Statement, filed with the SEC on November 4, 1998 (the "1998 Proxy Statement"). The 1998 Proxy Statement attached a copy of the 1996 Plan, as amended in July 1998. The pricing provisions in the amended 1996 Plan were identical to the pricing provisions in the original 1996 Plan.

141. The 2005 Plan was adopted by the Company's Board of Directors in July 2005, and approved by the Company's shareholders in November 2005. The 2005 Plan was to be administered by the Company's Board of Directors, or a committee of the directors or of other individuals satisfying applicable laws. To make grants to certain of the Company's officers and key employees, the members of the committee must qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, and as "outside directors" under Section 162(m) of the Internal Revenue Code (so that the Company can receive a federal tax deduction for certain compensation paid under the Incentive Plan). 2005 Plan, §§2(a), 4.

142. Under the 2005 Plan (§6(c)):

> The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Administrator, subject to the following:

> (1) In the case of an Incentive Stock Option
>
> a) granted to an Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant.
>
> b) granted to any Employee other than an Employee described in paragraph (A) immediately above, the per Share exercise price will be no less than 100% of the Fair Market Value per Share on the date of grant.
>
> (2) In the case of a Nonstatutory Stock Option, the per Share exercise price will be determined by the Administrator, ***but will be no less than 100% of the Fair Market Value per Share on the date of grant.*** (emphasis added).

143. The 2005 Plan (§2(u)) provides that "fair market value" would be determined as follows:

> "Fair Market Value" means, as of any date, the value of Common Stock as the Administrator may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Common Stock is so listed on any established stock exchange or a national market system. If the Common Stock is not listed on any established stock exchange or a national market system, the value of the Common Stock as the Administrator may determine in good faith.

144. Linear's proxy statements filed from 1995 through 2006 each state that the Board's Compensation Committee administers the Linear's stock option plans.

145. As of April 6, 2004, the Compensation Committee's Charter (attached as Exhibit C to Linear's Annual Proxy Statement filed on September 24, 2004) stated that the Compensation Committee shall be independent under Nasdaq rules, Rule 16b-3, and Section 162(m) of the Internal Revenue Code. Further, the Charter explicitly states that the Compensation Committee shall "[a]nnually review and approve the compensation of the

executive officers" and shall administer Linear's stock option plans. There is no indication in the Charter that the Compensation Committee has been specifically delegated authority to approve stock options for Directors, which would mean that this authority would remain with the Board as a whole.

C. <u>FALSE STATEMENTS CONCERNING LINEAR'S STOCK OPTIONS.</u>

146. Over the course of the relevant period, Linear, through the actions of the Director Defendants, deceptively conveyed the impression, in all its Proxy Statements and Annual Reports on Form 10-K filed with the SEC that stock options had been granted in a manner consistent with the purposes, spirit, intent, and objectives of the plans (including awarding future rather than past performance), which they knew, or absent recklessness should have known, was not the case insofar as the stock options had in fact been spring-loaded or bullet-dodged. *See, e.g.,* 1996 Proxy Statement (dated October 3, 1996), at p. 2-6, Appendix A (containing 1996 Plan); 1998 Proxy Statement (dated September 25, 1998), at 5-7, Appendix B (containing 1996 Plan); 2005 Proxy Statement (dated September 26, 2005), at 10-16, 25-27, Appendix A (containing 2005 Plan).

147. In describing its stock option plans in its Proxy Statements, Linear represented that:

- The Company's policy was to comply with the limitations set forth in Section 162(m) of the Internal Revenue Code both with respect to stock option compensation and chief executive compensation; and
- The exercise price of an option may not be less than 100% of the fair market value of the Common Stock on the date the option is granted.

See, e.g., 1996 Proxy Statement (dated October 3, 1996), at p. 4, Appendix A (containing 1996 Plan); 1998 Proxy Statement (dated September 25, 1998), at 5-7, Appendix B (containing 1996

Plan); 2002 Proxy Statement (dated September 25, 2002), at pp. 8-10; 2003 Proxy Statement (dated September 24, 2003), at pp. 9-11; 2004 Proxy Statement (dated September 24, 2004), at pp. 12-14; 2005 Proxy Statement (dated September 26, 2005), at pp. 25-27, Appendix A (containing 2005 Plan); and 2006 Proxy Statement (dated September 25, 2006), at p. 4.

148. The proxy statement representations set forth in the preceding paragraph were misleading in conveying the impression that the Company's stock option plans were being administered in a manner consistent with its purposes, spirit, intent, and objectives, and in failing to disclose that the option grants discussed herein had been spring-loaded and bullet-dodged.

149. Similarly misleading statements were made in Form 10-Ks filed with the SEC. In its SEC Form 10-K for the fiscal year ended July 2, 1995 (the "1995 10-K") and its SEC Form 10-K for the fiscal year ended June 30, 1996 (the "1996 10-K"),in which Linear represented:

> The Company established stock option plans in 1981 and 1988 under which options to purchase shares of the Company's common stock may be granted to employees and directors at a price no less than the fair market value on the date of the grant, as determined by the Board of Directors.

150. Similar misrepresentations were made in Linear's Form 10-Ks filed with the SEC between 1997 and 2006, in which the Company described its stock option programs as follows:

> The Company has stock option plans under which options to purchase shares of the Company's common stock may be granted to employees and directors at a price no less than the fair market value on the date of the grant.

See SEC Form 10-K for the fiscal year ended June 19, 1997 (the "1997 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended June 28, 1998 (the "1998 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended June 27, 1999 (the "1999 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended July 2, 2000 (the "2000 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended July 1, 2001 (the "2001 10-K"), Ex. 13, Note 4 to Financial

Statements; SEC Form 10-K for the fiscal year ended June 30, 2002 (the "2002 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended June 29, 2003 (the "2003 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended June 27, 2004 (the "2004 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended July 3, 2005 (the "2005 10-K"), Ex. 13, Note 4 to Financial Statements; SEC Form 10-K for the fiscal year ended July 2, 2006 (the "2006 10-K"), Ex. 13, Note 4 to Financial Statements.

151. Each Proxy Statement filed by Linear between 1995 and 2006 contains a "Compensation Committee Report" signed by the members of the Compensation Committee. Each of these Reports discusses the use of stock options as providing "incentives" for executives to work to enhance shareholder value. These Reports fail to disclose that these options were issued in a way to secretly benefit Linear insiders at the expense of shareholders.

152. Linear's Code of Business Conduct and Ethics, adopted by the Board (including most of the Director Defendants) on April 13, 2003 (available at http://www.linear.com/company/code_of_conduct-1.pdf), makes clear that:

> All non-public information about the Company should be considered confidential information. Employees who have access to confidential information are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of our business. To use non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal.

153. While this Complaint does not specifically allege violation of "insider trading" laws, this description of allegedly banned conduct encompasses the type of manipulation that is challenged here.

D. DEFENDANTS' BREACHES OF FIDUCIARY DUTY.

154. At all relevant times, under Delaware law, the Defendants were under a fiduciary duty to act with loyalty, good faith and due care. The conduct described herein constitutes a clear breach of fiduciary duty on the part of the Defendants.

155. As alleged above, the Director Defendants, other than Maier, (a) authorized and approved one or more of the spring-loaded and the bullet-dodged options described herein at a time when they possessed material non-public information, soon to be released by Linear that would impact the Company's share price and (b) issued those options with the intent to circumvent otherwise valid shareholder-approved restrictions on the exercise price of options contained in the 1988 Plan, the 1996 Plan and the 2005 Plan. Defendants Lee, McCarthy, Moley, Volpe and Swanson acted in breach of their duty of loyalty and in bad faith by authorizing options with a market-value strike price, as they are required to do by a shareholder-approved incentive option plan, at a time when they knew those shares were actually worth more than the exercise price. It is inconsistent with their fiduciary duties for Defendants Lee, McCarthy, Moley, Volpe and Swanson to have asked for shareholder approval of an incentive stock option plans and then later to distribute shares to themselves and company executives in such a way as to undermine the very objectives approved by shareholders. Consequently, these Defendants breached their fiduciary obligations of loyalty and good faith.

156. Defendants Lee, McCarthy, Moley and Volpe served on Linear's Compensation Committee when the spring-loaded and/or bullet-dodged options described herein were issued. These Defendants failed in their fiduciary duties as members of the Compensation Committee properly to administer the Company's shareholder-approved plans in a manner that was protective of the interests of shareholders and not just in the interest of themselves and company insiders. Instead, they administered the 1988 Plan, the 1996 Plan and the 2005 Plan so as to

unjustly enrich past and present officers and directors – including themselves – at the expense of shareholders. Their actions were contrary to the purposes, spirit, intent, and objectives of the Company's stock option plans and in violation their fiduciary duties of loyalty and good faith to Linear shareholders. As described above, Linear's public documents make clear that the Compensation Committee (or the Board as a whole) is directly responsible for approving and administering all of the option grants at issue in this action. Any delegation of this authority beyond the Compensation Committee would have been strictly impermissible and a clear breach of fiduciary duty.

157. Each of the Director Defendants and the Management Defendants received one or more of the spring-loaded and bullet-dodged options described herein. These actions breached the fiduciary duties of these Defendants as Linear directors and officers.

158. At minimum, all of the Defendants became aware that stock options granted to a number of officers and directors were either spring-loaded or bullet-dodged when they either authorized or approved the options or when they themselves were the option grant recipients. Director Defendants were involved in both the quarterly earnings releases and in the stock option grants. Management Defendants would have noticed that their options were consistently favorably timed in conjunction with quarterly earnings releases, which were a focus of attention at Linear. The only way that Defendants would not have been aware of the stock option manipulation challenged here would have been if they grossly abdicated their duties to Linear and its shareholders.

159. Defendants had fiduciary duties not just to not allow or accept manipulated options, but also to take active measures to stop the practice of manipulation once they became aware of it.

160. As of the date of the filing of this Complaint, Linear has not disclosed to its shareholders its practice of granting spring-loaded and bullet-dodged stock options.

161. Defendants stood in a fiduciary relationship with the Company's shareholders, and had a duty to disclose their practice of granting spring-loaded and bullet-dodged stock options. In violation of their fiduciary duties of loyalty and good faith, Defendants fraudulently concealed the fact that the options granted to numerous officers and directors (including themselves) were spring-loaded and bullet-dodged, and indeed conveyed information that misleadingly created the impression that the 1988 Plan, the 1996 Plan and the 2005 Plan were being administered in a manner consistent with its purposes, spirit, intent, and objectives. Indeed, as recently as July 2, 2006, Defendants publicly denied that they engaged in backdating or any other fraud or manipulation in connection with the administration of Linear's stock option program, which was not the case.

162. Defendants' failure to disclose all material information about their stock option pricing practices was known to the Defendants. As discussed above, Defendants have taken active steps to hide the practices challenged herein. Plaintiff and the other Linear shareholders could not have discovered the full truth about the spring-loaded and bullet-dodged options discussed herein through reasonable diligence.

163. Each of the Grant Recipient Defendants violated his or duties to the Company by holding and/or exercising options that were not properly granted by Linear. The ability to hold these options and continue to have them vest is and was subject to numerous restrictions (and/or termination) if a Grant Recipient Defendant no longer continued to hold his or her position at the Company.

164. Defendants actions caused Linear to breach the implied covenant of good faith and fair dealing in Linear's option plans.

E. THE GRANT RECIPIENT DEFENDANTS WERE UNJUSTLY ENRICHED AT THE EXPENSE OF THE COMPANY

165. The Grant Recipient Defendants have been unjustly enriched at the expense of Linear and its shareholders, as a result of the secretive scheme to grant spring-loaded and bullet-dodged options.

166. The Grant Recipient Defendants received millions of spring-loaded and bullet-dodged options as described above worth at least tens of millions of dollars.

167. Had the Grant Recipient Defendants' stock options not been spring-loaded or bullet-dodged, their profits and/or unrealized gains on exercisable stock options would have been millions of dollars less. Defendants breached their fiduciary duties of loyalty and good faith by causing or, through complete abdication of duty allowing, Linear to engage in the unlawful actions and course of conduct alleged herein. As a result, the Company has suffered millions of dollars in damages.

168. As a result of the granting of spring-loaded and bullet-dodged options, the Grant Recipient Defendants have been unjustly enriched at the expense of Linear, which has received and will receive less money from the Grant Recipient Defendants when they exercise their options at prices substantially lower than they should have been if the options had not been spring-loaded or bullet-dodged.

169. Defendants' misconduct has caused substantial injury to Linear, including, *inter alia*:

a. issuance of stock options, which are ongoing obligations of the company, at artificially low exercise prices;

b. actual or future lost payments upon the exercise of those stock options whose exercise prices were manipulated downward;

c. costs needed for internal investigations, including fees paid to outside counsel and auditors;

d. exposure to potential shareholder actions for violation of the federal securities laws; and

e. indirect expenses such as reputational injury and lost productivity as the Company will be forced to focus management efforts on addressing past fraudulent behavior instead of focusing on running and growing the business.

G. DIRECTOR DEFENDANTS' BREACHES OF THEIR FIDUCIARY DUTIES THROUGH MISSTATEMENTS IN LINEAR'S PUBLIC FILINGS

170. A number of Linear's Proxy Statements sought shareholder approval for specific actions involving stock options. Specifically:

- The Proxy filed on October 3, 1996 sought shareholder approval of the 1996 Plan (which had 4,000,000 shares reserved for issuance thereunder);
- The Proxy filed on September 25, 1998 sought shareholder approval for and amendment to the 1996 Plan that included the reservation of an additional 4,000,000 shares under the Plan;
- The Proxy filed on September 21, 2000 sought shareholder approval for the increase in the number of authorized common shares of Linear stock to 2,000,000,000 in part to allow for more flexibility in issuing incentive stock options; and
- The Proxy filed on September 26, 2005 sought shareholder approval of the adoption of the 2005 Plan and the reservation of shares for issuance thereunder.

171. These Proxy Statements were issued on behalf of Linear's Board (including many of the Director Defendants).

172. As discussed above, these Proxy Statements each contained material misstatements relating to the manner in which options were granted at Linear.

173. The ability for Linear to provide favorable tax treatment for certain options required that these options be issued under shareholder-approved option plans.

174. These misstatements were a direct violation of Director Defendants' fiduciary duties.

<u>DEMAND FUTILITY ALLEGATIONS</u>

175. Plaintiff did not make a demand on the Linear Board prior to instituting this action regarding any of the derivative claims because the wrongful acts complained of herein – *i.e.*, the schemes to grant spring-loaded and bullet-dodged options – were not only illegal and self-dealing, but also were not, nor could they have been, the product of a valid or good faith exercise of business judgment. There was no legitimate basis or justification for granting spring-loaded and bullet-dodged options. Doing so violated the purposes, spirit, intent and objective of Linear's shareholder-approved stock option plans. Accordingly, demand is excused.

176. In addition, a reasonable doubt exists as to whether a majority of Linear's current Board of Directors is disinterested and independent. 100% of the current Board is disabled from considering a demand due to their participation in and approval of the scheme to grant spring-loaded and bullet-dodged options, and/or their receipt of such options, gives them a material personal financial interest in the claims asserted. Accordingly, demand is excused.

177. The five members of Linear's Board of Directors at the time of the filing of the initial Derivative Action Complaint are the Current Director Defendants: Maier, Swanson, Lee, Moley, and Volpe. All five of the Current Directors are recipients of the challenged grants. They face a substantial likelihood of liability for unjust enrichment for the receipt of these grants, and a substantial likelihood that these grants will be rescinded. The following chart represents the minimum paper profits made by Current Directors from exercising the options challenged in this action, as well as the current value of all in-the-money options (including some unvested

options) held by Current Director Defendants based on the closing price of Linear stock on August 8, 2007. Each of the Current Director Defendants face a substantial likelihood that they will lose both their profits from exercised options and the full value of all unexercised options.

Director	Minimum Paper Profit Realized from Exercising Challenged Options	Number of split-adjusted unexercised challenged options	Current value of in-the-money unexercised options
Maier	$0.00	330,060	$1,047,121.60
Swanson	$32,546,399.75	1,306,400	$10,451,335.25
Lee	$2,601,331.20	132,000	$300,520.00
Moley	$3,072,300.80	132,000	$300,520.00
Volpe	$724,320.00	164,000	$951,720.00

178. The values at risk for each of these Current Director Defendants are material. According to Linear's most recent Proxy Statement, Swanson received a total compensation of $4,011,511 in fiscal year 2006, so these values are material to him. Maier received $2,268,994 during the same period, so these values are material to him. These values, over $1.5 million in each case, must also be material to Lee, Moley, and Volpe. In addition to stock options, Directors of Linear receive $45,000 per year for their services as well as $1,500 for each meeting that they attend. According to Linear's most recent Proxy Statement, Defendant Volpe also receives $15,000 per year for his work as Chairman of the Audit Committee.

179. Four of the five of the Current Director Defendants (Swanson, Lee, Moley, and Volpe) were on the Board when at least one of the spring-loaded or bullet-dodged options described herein was granted. Under Linear's 1998 Plan, the 1996 Plan and the 2005 Plan, the Board is responsible, either directly or through delegation to the Compensation Committee, for the granting of options. Thus, all four of these Directors who are responsible for the granting of

spring-loaded or bullet-dodged options, face a substantial likelihood of liability with respect to their actions, and are incapable of considering a demand here.

180. Three of the five Current Director Defendants (Lee, Moley, and Volpe), along with former Director Defendant McCarthy, served on Linear's Compensation Committee, and as such, pursuant to the 1998 Plan, the 1996 Plan and the 2005 Plan authorized, ratified, approved, and were otherwise responsible for the granting of the fraudulent spring-loaded and bullet-dodged options discussed herein. Thus, all three of these Directors face a substantial likelihood of liability with respect to the granting of the spring-loaded and bullet-dodged options, and all are incapable of considering a demand here.

181. The following chart summarizes the conflicts that demonstrate that 100% of the current Board is disabled from considering a demand due to their participation in and approval of the scheme to grant spring-loaded and bullet-dodged options and their receipt of such options:

Current Director	Received Spring-Loaded and/or Bullet-dodged Options	Board Member at Time Spring-Loaded and/or Bullet-dodged Options Were Granted	Authorized Spring-Loaded and/or Bullet-dodged Options as Member of Compensation Committee
Maier	X		
Swanson	X	X	
Lee	X	X	X
Moley	X	X	X
Volpe	X	X	X

CAUSES OF ACTION

COUNT I

Against all Defendants for Breach of Fiduciary Duty

182. Plaintiff incorporates by reference and realleges each and every allegation contained above, as though fully set forth herein.

183. At all relevant times, the Defendants owed and owe Linear and its shareholders fiduciary obligations of good faith, fair dealing, loyalty and due care.

184. The Defendants, and each of them, violated and breached their fiduciary duties of care and loyalty as directors and/or officers of the Company.

185. Each of the Defendants authorized, or by abdication of duty permitted, stock options granted to the Grant Recipient Defendants to be spring-loaded and bullet-dodged. These actions were not a good faith exercise of prudent business judgment to protect and promote the Company's corporate interests, but rather lined the pockets of Defendants and other Linear insiders at the expense of the Company and its shareholders.

186. As a direct and proximate result of the Defendants' failure to perform their fiduciary obligations, Linear has sustained and will continue to sustain significant damages. As a result of the misconduct alleged herein, the Defendants are liable to the Company.

187. Plaintiff has no adequate remedy at law.

COUNT II

Against the Grant Recipient Defendants for Unjust Enrichment

188. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

189. As a result of the spring-loading and bullet-dodging nature of the options granted to them, the Grant Recipient Defendants have been and will continue to be unjustly enriched at the expense of and to the detriment of Linear.

190. Accordingly, this Court should order the Grant Recipient Defendants to disgorge all profits, benefits and other compensation obtained by the Grant Recipient Defendants, and each of them, from their wrongful conduct and fiduciary breaches described herein, and should order the stock options held by the Grant Recipient Defendants, which have not yet been exercised, to be rescinded or repriced at the market price of Linear's stock that the Court determines adequately reflects the impact on the market price of Linear's stock of the material nonpublic information known by Linear and the Defendants when the spring-loaded and bullet-dodged options were granted.

191. Plaintiff has no adequate remedy at law.

COUNT III

Against the Director Defendants for Breach of Fiduciary Duty as a Result of Misstatements

192. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

193. Each of the Director Defendants had a fiduciary duty to insure full and fair disclosure of all material information provided to Linear's shareholders, including without limitation, when seeking shareholder action.

194. All of the Director Defendants except for Defendant Maier caused Linear to issue the 1996 Proxy Statement, the 1998 Proxy Statement, and the 2000 Proxy Statement.

195. As alleged above, these Proxy Statements sought shareholder approval of proposals directly related to Linear's granting of stock options.

196. All of the Director Defendants caused Linear to issue the 2005 Proxy Statement. As alleged in detail above, these Proxy Statements contained materially false and misleading statements and omissions relating to the option manipulation practices challenged in this action.

197. The Director Defendants' failure to include these material facts in the Proxy Statements rendered them materially false and misleading and constituted a violation of their fiduciary duties.

198. As a result of the Director Defendants' actions, Linear's shareholders were induced to approve certain of the Company's stock plans and option/share authorizations based on materially false and misleading information. If Linear's shareholders had not approved these proposals, the option manipulation practices challenged in this action could not have taken place. Moreover, the Director Defendants' actions have caused harm to Linear because those actions allowed options to be issued pursuant to an invalidly approved plan, affecting the tax treatment available for such options.

199. Director Defendants are liable to Linear as a result of this misconduct and breaches of duty alleged herein.

200. Plaintiff has no adequate remedy at law.

COUNT IV

Against the Director Defendants for Waste

201. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

202. By failing to properly consider the interests of the Company and its public shareholders, by manipulating stock option grants using non-public information, by using stock options to compensate for past performance rather than solely as an incentive for future performance, by failing to conduct proper supervision, and by sacrificing without consideration

payments Linear would have received for properly priced stock options, Direct Defendants, without any valid corporate purpose, have caused Linear to waste valuable corporate assets solely for the financial gain of numerous past and present officers and Directors.

203. As a result of the waste of corporate assets, the Director Defendants are liable to the Company.

204. Plaintiff has no adequate remedy at law.

PRAYERS FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

a. Against all of the Defendants and in favor of the Company for the amount of damages sustained by the Company as a result of these Defendants' breaches of fiduciary duties;

b. Against the Grant Recipient Defendants and in favor of the Company for the amount of their unjust enrichment;

c. Awarding to Linear restitution from the Grant Recipient Defendants and each of them, and ordering disgorgement of all profits, benefits and other compensation obtained by the Grant Recipient Defendants as a result of the conduct alleged herein;

d. Rescinding and/or repricing the spring-loaded and bullet-dodged stock options granted to the Grant Recipient Defendants;

e. Imposition of a constructive trust for the benefit of Linear on options and shares unlawfully obtained, and all proceeds of such options or shares, including interest or investment returns;

f. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

g. Granting such other and further relief as the Court deems just and proper.

ROSENTHAL, MONHAIT & GODDESS, P.A.

/s/ Jessica Zeldin
Norman M. Monhait (Del. Bar No. 1040)
Jessica Zeldin (Del. Bar No. 3558)
919 Market Street, Suite 1401
Citizens Bank Center
P.O. Box 1070
Wilmington, Delaware 19899
(302) 656-4433
Attorneys for Plaintiff

OF COUNSEL:

Thomas G. Shapiro
Edward F. Haber
Michelle H. Blauner
Matthew L. Tuccillo
Robert E. Ditzion
SHAPIRO HABER & URMY LLP
53 State Street
Boston, MA 02109

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