

August 6, 2008

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Proposed Statement of Financial Accounting Standards, "Disclosure of Certain Loss Contingencies and Amendment of FASB Statements No. 5 and 141(R)"
File Reference No. 1600-100.

## Dear Technical Director:

Linear Technology appreciates the opportunity to comment on the Proposed Statement, Disclosure of Certain Loss Contingencies (the "proposed Statement"). Linear Technology Corporation is a leading designer and manufacturer of high performance linear integrated circuits with revenues of approximately \$1.2 billion for the fiscal year ended June 29, 2008. We disagree with certain requirements of the proposed Statement, mainly, having to disclose quantitative information about "remote" contingencies and having to disclose a tabular reconciliation for recognized loss contingencies. The potential effects of disclosing prejudicial information could be damaging to Linear and its stockholders. We believe that the required qualitative disclosures would force us to reveal confidential, competitively sensitive aspects of our respective strategies for dealing with pending or threatened claims and other privileged information. We believe these types of disclosures should be left to management's judgment as currently required under FASB 5.We believe these additional disclosures outweigh the objectives noted in the proposed Statement. Our concerns are further described below.

As per the Boards request we will provide comments to the Boards question on the proposed Statement. In this letter, we have recited the comments from the Board in italicized, bold type and have followed each comment with our response.

1. Will the proposed Statement meet the project's objective of providing enhanced disclosures about loss contingencies so that the benefits of those disclosures justify the incremental costs? Why or why not? What costs do you expect to incur if the Board were to issue this proposed Statement in its current form as a final Statement? How could the Board further reduce the costs of applying these requirements without significantly reducing the benefits?

We believe that the proposed Statement's objective of providing enhanced disclosure about loss contingencies when they are "probable" or in the upper ranges of "reasonably possible" could provide benefits to financial statement users. However, providing disclosure on "remote" contingencies does not provide benefits to users of financial statements. Where disclosure is required under the proposed Statement, we will have to disclose the nature of the litigation, our best estimate of the maximum exposure, a qualitative assessment of the most likely outcome, and the significant assumptions underlying our estimates. We believe these types of disclosures should be left to management's judgment to determine whether these types of disclosures would be damaging to a case when a contingency is "probable" or "reasonably possible." Management should not have to consider these types of disclosures when a contingency is remote. These required disclosures are likely to require us to reveal elements of our litigation strategy, as well as quantify and disclose our potential maximum exposure. This information is typically very carefully protected in an adversary proceeding. The required disclosures may be admissible in evidence against us in the proceedings that are the very subject of the disclosure (i.e., an admission against self-interest). As a result, the required disclosures may embolden plaintiffs because they signal that we consider the litigation exposure to be both credible and serious. Therefore we believe the benefits of the additional disclosures do not justify the incremental costs as the additional disclosure could ultimately be detrimental to a legal proceeding that could cause us to settle or loose a case and pay out amounts much greater than incurring incremental disclosure costs.

As mentioned above, we believe that trying to identify loss contingencies with a likelihood of loss that is "<u>remote</u>," especially those related to unasserted claims does not provide benefits to users since litigation assessments are inherently uncertain. In this regard, the proposed Statement would provide misleading and inaccurate disclosures.

2. Do you agree with the Board's decision to include within the scope of this proposed Statement obligations that may result from withdrawal from a multiemployer plan for a portion of its unfunded benefit obligations, which are currently subject to the provisions of Statement 5? Why or why not?

We do not have a position on this as we do not participate in a defined benefit plan.

3. Should an entity be required to provide disclosures about loss contingencies, regardless of the likelihood of loss, if the resolution of the contingencies is expected to occur within one year of the date of the financial statements and the loss contingencies could have a severe impact upon the operations of the entity? Why or why not?

As stated in question 1, we believe that trying to identify loss contingencies with a likelihood of loss that is "remote," that are expected to be resolved within one year of the date of the financial statements especially those related to unasserted claims does not provide benefits to financial statement users. Such remote litigation is impossible to accurately assess since litigation assessments are inherently uncertain. Trying to opine

and provide disclosure on such litigation would provide misleading and inaccurate disclosures. These types of disclosure are likely to result in immaterial disclosures that would not be helpful or informative to investors, and would most likely prove to be inaccurate.

- 4. Paragraph 10 of Statement 5 requires entities to "give an estimate of the possible loss or range of loss or state that such an estimate cannot be made." One of financial statement users' most significant concerns about disclosures under Statement 5's requirements is that the disclosures rarely include quantitative information. Rather, entities often state that the possible loss cannot be estimated. The Board decided to require entities to disclose the amount of the claim or assessment against the entity, or, if there is no claim or assessment amount, the entity's best estimate of the maximum possible exposure to loss. Additionally, entities would be permitted, but not required, to disclose the possible loss or range of loss if they believe the amount of the claim or assessment is not representative of the entity's actual exposure.
- a. Do you believe that this change would result in an improvement in the reporting of quantitative information about loss contingencies? Why or why not?

This requirement forces a Company to quantify and disclose its potential maximum exposure where the claimant itself may have been unwilling or unable to quantify the maximum loss. We believe that the required disclosures regarding loss estimates may embolden plaintiffs because they signal that a Company considers their claims to be both credible and serious. In addition, we believe that the disclosures themselves may constitute admissible evidence against a Company (*i.e.*, as an admission against self-interest), and could therefore affect the course of a litigation or other dispute by frustrating settlement negotiations and/or resulting in higher settlement amounts or jury awards due to the disclosed estimates of the maximum exposure. Lastly, to the extent that disclosures and estimates turn out to be inaccurate or wrong because of factors outside the control of any of the parties, the disclosures themselves may be sources of additional claims and litigation. For these reasons, we submit that the proposed standards will have the unintended consequence of adversely affecting our positions in the very lawsuits that are the subject of the disclosures, which is not in the interests of our investors.

b. Do you believe that disclosing the possible loss or range of loss should be required, rather than optional, if an entity believes the amount of the claim or assessment or its best estimate of the maximum possible exposure to loss is not representative of the entity's actual exposure? Why or why not?

We don't believe that companies should be required to disclose the possible range of losses except under FASB 5 current requirements and that such judgment should be left to management. The proposed Statement assumes that the amount of the claim is an objective amount that is publicly available. This is not the case for many lawsuits, such as

class actions under federal and state securities laws. Without an objective claim amount, the proposed Statement would require disclosure of the best estimate of the maximum exposure loss. Disclosure of this amount may be highly useful to the disclosing entity's adversaries. Further, given the complexity and unpredictability of the litigation process, this disclosure could itself be the source of litigation if the ultimate resolution of the contingency differs materially from the disclosed estimates. Moreover, often the maximum possible exposure to loss is an enormous amount that bears little relation to the final loss, if any, and will result in incremental disclosure that is of little use to financial statement users.

c. If you disagree with the proposed requirements, what quantitative disclosures do you believe would best fulfill users' needs for quantitative information and at the same time not reveal significant information that may be prejudicial to an entity's position in a dispute?

Given the complexity and unpredictability of the litigation process, we believe that trying to quantify loss contingencies especially when a likelihood of loss that is "<u>remote</u>," does not provide benefits to financial statement users since litigation assessments are inherently uncertain. The proposed Statement would provide misleading and inaccurate disclosures.

5. If a loss contingency does not have a specific claim amount, will an entity be able to provide a reliable estimate of the maximum exposure to loss (as required by paragraph 7(a)) that is meaningful to users? Why or why not?

Given the complexity and unpredictability of the litigation process, we believe that trying to quantify loss contingencies especially when a likelihood of loss that is "<u>remote</u>," does not provide benefits to users since litigation assessments are inherently uncertain. The proposed Statement would provide misleading and inaccurate disclosures.

6. Financial statement users suggested that the Board require disclosure of settlement offers made between counterparties in a dispute. The Board decided not to require that disclosure because often those offers expire quickly and may not reflect the status of negotiations only a short time later. Should disclosure of the amount of settlement offers made by either party be required? Why or why not?

We agree with the Board that disclosure of settlement offers should not be required for the reasons noted by the Board. In addition, settlement offers may represent a negotiation tactic with no correlation to the ultimate amount of the loss, thus providing little value to financial statement users. Providing settlement information may increase pressure on the companies to create reserves at a time when a particular matter has not advanced to the point where an accurate estimate of a reserve is possible. 7. Will the tabular reconciliation of recognized loss contingencies, provided on an aggregated basis, provide useful information about loss contingencies for assessing future cash flows and understanding changes in the amounts recognized in the financial statements? Why or why not?

We believe that the requirement to value claims at the outset and then periodically reevaluate and update the estimates through a tabular disclosure is likely to lead to disclosures that are both volatile and misleading. Presenting these often temporary changes in loss expectations in tabular disclosure could provide a very misleading view of the probable outcome of such matters and their affect on the Company's future cash flows. As such, we submit that such information will not provide useful and accurate information to investors and other users of financial statements.

## 8. This proposed Statement includes a limited exemption from disclosing prejudicial information. Do you agree that such an exemption should be provided? Why or why not?

We believe that the limited exemption from disclosing prejudicial information is not sufficient. The proposed Statement provides that prejudicial disclosures may be aggregated or reported at a higher level, or in "rare instances," omitted altogether. With respect to aggregation, we believe that this may not provide a meaningful shield for the prejudicial information. Frequently, large claims are publicly known and users evaluating the aggregated disclosure are likely to know that a particular claim or group of claims accounts for most of the loss exposure especially in a Company like Linear Technology that has few, but large complex legal issues. With respect to the ability to omit prejudicial disclosures, we believe that the proposed Statement indicates that the relief is only available in "rare" circumstances, which is likely to limit the willingness of us to utilize the exception. In addition, we believe that in certain "rare" circumstances where we could omit prejudicial disclosures and if we were to lose the related contingency that this could lead to further litigation for not disclosing the same prejudicial information that we were allowed to omit.

9. If you agree with providing a prejudicial exemption, do you agree with the two-step approach in paragraph 11? Why or why not? If not, what approach would you recommend and why?

As stated above, we believe that the limited exemption from disclosing prejudicial information is not sufficient.

10. The International Accounting Standards Board (IASB) continues to deliberate changes to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, but has not yet reconsidered the disclosure requirements. The existing disclosure requirements of IAS 37 include a prejudicial exemption with language indicating that the circumstances under which that exemption may be exercised are expected to be

extremely rare. This proposed Statement includes language indicating that the circumstances under which the prejudicial exemption may be exercised are expected to be rare (instead of extremely rare). Do you agree with the Board's decision and, if so, why? If not, what do you recommend as an alternative and why?

As stated above, we believe that the limited exemption from disclosing prejudicial information is not sufficient.

11. Do you agree with the description of prejudicial information as information whose "disclosure... could affect, to the entity's detriment, the outcome of the contingency itself"? If not, how would you describe or define prejudicial information and why?

We agree with Boards description of prejudicial information as "disclosure of the information could affect, to the entity's detriment, the outcome of the contingency itself."

12. Do you believe it is operational for entities to disclose all of the proposed requirements for interim and annual reporting periods? Should the tabular reconciliation be required only annually? Why or why not?

As stated above we believe that such tabular disclosure should not be required. However, the proposed Statement should apply only to annual reporting periods unless there has been a significant change in a balance or estimate, or the disclosure relates to a "material contingency." We believe these requirements are adequate and therefore, the proposed Statement need not specify quarterly disclosure requirements.

13. Do you believe other information about loss contingencies should be disclosed that would not be required by this proposed Statement? If so, what other information would you require?

We believe that no additional disclosure information should be required.

14. Do you believe it is operational for entities to implement the proposed Statement in fiscal years ending after December 15, 2008? Why or why not?

We do not believe that the proposed transition period will be sufficient for companies to appropriately prepare for the expanded disclosure requirements. When the final disclosure requirements are known, we will need time to: 1) Gather the required information for analysis, which will be a significant task for us as we have not gathered all the required information previously. 2) With the assistance of legal counsel, we will have to draft the required disclosures, many of which would not previously have been provided (especially for remote loss contingencies). 3) Determine how the qualitative and quantitative disclosures may be aggregated in a manner that is helpful to financial statement users and not damaging to the Company and it's investors. 4) Confer with legal

counsel to carefully determine whether any of the required disclosures are prejudicial in nature.

Respectfully,

Don Zerio Corporate Controller Linear Technology Corp.

Paul Coghlan Vice President and Chief Financial Officer Linear Technology Corp.