

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 1993
Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware

75-0289970

(State of Incorporation)

(I.R.S. Employer Identification No.)

13500 North Central Expressway, P.O. Box 655474, Dallas, Texas, 75265-5474

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code 214-995-3773

Securities registered pursuant to Section 12(b) of the Act:

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.00	New York Stock Exchange London Stock Exchange Tokyo Stock Exchange The Stock Exchanges of Zurich, Basle and Geneva
Preferred Stock Purchase Rights	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$7,365,000,000 as of February 28, 1994.

91,413,156

(Number of shares of common stock outstanding as of February 28, 1994)

Parts I, II and IV hereof incorporate information by reference to the Registrant's 1993 annual report to stockholders. Part III hereof incorporates information by reference to the Registrant's proxy statement for the 1994 annual meeting of stockholders.

PART I

ITEM 1. Business.

General

Texas Instruments Incorporated (hereinafter the "Registrant," including subsidiaries except where the context indicates otherwise) is engaged in the development, manufacture and sale of a variety of products in the electrical and electronics industry for industrial, government and consumer markets. These products consist of components, defense electronics and digital products. The Registrant also produces metallurgical materials. In addition, the Registrant's patent portfolio has been established as an ongoing contributor to the Registrant's revenues. The Registrant's business is based principally on its broad semiconductor technology and application of this technology to selected electronic end-equipment markets. The Registrant from time to time considers acquisitions and divestitures which may alter its business mix. The Registrant may effect one or more such transactions at such time or times as the Registrant determines to be appropriate.

The information with respect to net revenues, profit and identifiable assets of the Registrant's industry segments and operations outside the United States, which is contained in the note to the financial statements captioned "Industry Segment and Geographic Area Operations" on pages 30-31 of the Registrant's 1993 annual report to stockholders, is incorporated herein by reference to such annual report.

Components

Components consist of semiconductor integrated circuits (such as microprocessors/microcontrollers, applications processors, memories, and digital and linear circuits), semiconductor discrete devices, semiconductor subassemblies (such as custom modules for specific applications), and electrical and electronic control devices (such as motor protectors, starting relays, circuit breakers, thermostats, sensors, and radio-frequency identification systems).

These components are used in a broad range of products for industrial end-use (such as computers, data terminals and peripheral equipment, telecommunications, instrumentation, and industrial motor controls and automation equipment), consumer end-use (such as televisions, cameras, automobiles, home appliances, and residential air conditioning and heating systems) and government end-use (such as defense and space equipment). The Registrant sells these components primarily to original equipment manufacturers principally through its own marketing organizations and to a lesser extent through distributors.

Defense Electronics

Defense electronics consist of radar systems, navigation systems, infrared surveillance and fire control systems, defense suppression missiles, other weapon systems (including antitank and interdiction weapons), missile guidance and control systems, electronic warfare systems, and other defense electronic equipment. Sales are made primarily to the U.S. government either directly or through prime contractors.

Digital Products

Digital products include software productivity tools, integrated enterprise information solutions, notebook computers, printers, electronic calculators and learning aids, and custom engineering and manufacturing services.

Digital products are used in a broad range of enterprise-wide, work group and personal information-based applications. The Registrant markets these products through various channels, including system suppliers, business equipment dealers, distributors, retailers, and direct sales to end-users and original equipment manufacturers.

Metallurgical Materials

Metallurgical materials include clad metals, precision-engineered parts and electronic connectors for use in a variety of applications such as appliances, automobiles, electronic components, and industrial and telecommunications equipment. These metallurgical materials are primarily sold directly to original equipment manufacturers. This segment also includes development costs associated with solar cells.

Competition

The Registrant is engaged in highly competitive businesses. Its competitors include several of the largest companies in the United States, East Asia, particularly Japan, and elsewhere abroad as well as many small, specialized companies. The Registrant is a significant competitor in each of its principal businesses. Generally, the Registrant's businesses are characterized by rapidly changing technology which has, throughout the Registrant's history, intensified the competitive factors, primarily performance and price.

Government Sales

Net revenues directly from federal government agencies in the United States, principally related to the defense electronics segment, accounted for approximately 12% of the Registrant's net revenues in 1993.

Contracts for government sales generally contain provisions for cancellation at the convenience of the government. In addition, companies engaged in supplying military equipment to the government are dependent on congressional appropriations and administrative allotment of funds, and may be affected by changes in government policies resulting from various military and political developments. See "ITEM 3. Legal Proceedings."

Backlog

The dollar amount of backlog of orders believed by the Registrant to be firm was \$3805 million as of December 31, 1993 and \$3733 million as of December 31, 1992. Approximately 25% of the 1993 backlog (involving defense electronics) is not expected to be filled within the current fiscal year. The backlog is significant in the business of the Registrant only as an indication of future revenues which may be entered on the books of account of the Registrant.

Raw Materials

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The Registrant purchases materials, parts and supplies from a number of suppliers. In addition, the Registrant produces some materials, parts and supplies, such as silicon wafers used in the manufacture of semiconductors, for its own use. The materials, parts and supplies essential to the Registrant's business are generally available at present and the Registrant believes at this time that such materials, parts and supplies will be available in the foreseeable future.

Patents and Trademarks

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The Registrant owns many patents in the United States and other countries in fields relating to its businesses. The Registrant has developed a strong, broad-based patent portfolio. The Registrant also has several agreements with other companies involving license rights and anticipates that other licenses may be negotiated in the future. The Registrant does not consider its business materially dependent upon any one patent or patent license, although taken as a whole, the rights of the Registrant and the products made and sold under patents and patent licenses are important to the Registrant's business. As noted above, the Registrant's patent portfolio has been established as an ongoing contributor to the revenues of the Registrant. The Registrant continues to earn a significant ongoing stream of royalty revenue. See "ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "ITEM 3. Legal Proceedings."

The Registrant owns trademarks that are used in the conduct of its business. These trademarks are valuable assets, the most important of which are "Texas Instruments" and the Registrant's corporate monogram.

Research and Development

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Expenditures for research and development were \$981 million in 1993 compared with \$891 million in 1992 and \$915 million in 1991. Of these amounts, \$590 million was company funded in 1993, (\$470 million in 1992 and \$527 million in 1991), and \$391 million in 1993 (\$421 million in 1992 and \$388 million in 1991) was funded by others, principally the U. S. government.

Seasonality

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The Registrant's revenues are subject to some seasonal variation.

Employees

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The information concerning the number of persons employed by the Registrant at December 31, 1993 on page 34 of the Registrant's 1993 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 2. Properties.

The Registrant's principal offices are located at 13500 North Central Expressway, Dallas, Texas. The Registrant owns and leases plants in the United States and 17 other countries for manufacturing and related purposes. The following table indicates the general location of the principal plants of the Registrant and the industry segments which make major use of them. Except as otherwise indicated, the principal plants are owned by the Registrant.

	Components -----	Defense Electronics -----	Digital Products -----	Metallurgical Materials -----
Dallas, Texas	X	X		
Austin, Texas		X	X	
Houston, Texas	X			
Lewisville, Texas		X		
Lubbock, Texas	X		X	
McKinney, Texas		X		
Midland, Texas	X			
Plano, Texas(1)		X	X	
Sherman, Texas(1)	X	X		
Temple, Texas			X	
Attleboro, Massachusetts	X			X
Almelo, Netherlands	X			
Bedford, U. K.	X			
Freising, Germany	X			
Nice, France	X			
Avezzano, Italy(2)	X			
Rieti, Italy(2)	X		X	
Baguio, Philippines(3)	X			
Hiji, Japan	X			
Kuala Lumpur, Malaysia(1)	X			
Miho, Japan	X			
Singapore(3)	X			
Taipei, Taiwan	X			

(1)Leased or primarily leased.

(2)Owned, subject to mortgage.

(3)Owned on leased land.

The Registrant's facilities in the United States contained approximately 19,424,675 square feet as of December 31, 1993, of which approximately 4,848,720 square feet were leased. The Registrant's facilities outside the United States contained approximately 6,644,166 square feet as of December 31, 1993, of which approximately 1,845,190 square feet were leased.

The Registrant believes that its existing properties are in good condition and suitable for the manufacture of its products. The Registrant's facilities in Denton, northwest Houston and Abilene, Texas are being marketed for sale. Otherwise, at the end of 1993, the Registrant utilized substantially all of the space in its facilities.

Leases covering the Registrant's leased facilities expire at varying dates generally within the next 15 years. The Registrant anticipates no difficulty in either retaining occupancy through lease renewals, month-to-month occupancy or purchases of leased facilities, or replacing the leased facilities with equivalent facilities.

ITEM 3. Legal Proceedings.

On July 19, 1991, the Registrant filed a lawsuit in Tokyo District Court against Fujitsu Limited (Fujitsu) seeking injunctive relief, alleging that Fujitsu's manufacture and sale of certain DRAMS infringe the Registrant's Japanese patent on the invention of the integrated circuit (the Kilby patent). Concurrently, Fujitsu brought a lawsuit in the same court against the Registrant, seeking a declaration that Fujitsu is not infringing the Kilby patent. See "ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Registrant is included among a number of U.S. defense contractors which are currently the subject of U.S. government investigations regarding alleged procurement irregularities. The Registrant is unable to predict the outcome of the investigations at this time or to estimate the kinds or amounts of claims or other actions that could be instituted against the Registrant. Under present government procurement regulations, such investigations could lead to a government contractor's being suspended or debarred from eligibility for awards of new government contracts for an initial period of up to three years. In the current environment, even matters that seem limited to disputes about contract interpretation can result in criminal prosecution. While criminal charges against contractors have resulted from such investigations, the Registrant does not believe such charges would be appropriate in its case and has not, at any time, lost its eligibility to enter into government contracts or subcontracts under these regulations.

The Registrant is involved in various investigations and proceedings conducted by the federal Environmental Protection Agency and certain state environmental agencies regarding disposal of waste materials. Although the factual situations and the progress of each of these matters differ, the Registrant believes that in each case its liability will be limited to sharing clean-up or other remedial costs with other potentially responsible parties, in amounts that will not have a material adverse effect upon its financial position or results of operations.

ITEM 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Executive Officers of the Registrant

The following is an alphabetical list of the names and ages of the executive officers of the Registrant and the positions or offices with the Registrant presently held by each person named:

Name	Age	Position
Richard J. Agnich	50	Senior Vice President, Secretary and General Counsel
William A. Aylesworth	51	Senior Vice President, Treasurer and Chief Financial Officer
Nicholas K. Brookes	46	Vice President (President, Materials & Controls Group)
Gary D. Clubb	47	Executive Vice President (President, Defense Systems & Electronics Group)
Thomas J. Engibous	41	Executive Vice President (President, Semiconductor Group)
William F. Hayes	50	Executive Vice President
Jerry R. Junkins	56	Director; Chairman of the Board, President and Chief Executive Officer
Marvin M. Lane, Jr.	59	Vice President and Corporate Controller
David D. Martin	54	Executive Vice President
William B. Mitchell	58	Director; Vice Chairman
Charles F. Nielson	56	Vice President
Elwin L. Skiles, Jr.	52	Vice President
William P. Weber	53	Director; Vice Chairman
Joseph D. Zimmerman	59	Vice President

The term of office of each of the above listed officers is from the date of his election until his successor shall have been elected and qualified. Messrs. Brookes, Clubb, Engibous, Hayes, Martin, Mitchell and Weber were elected to their respective offices of the Registrant on December 2, 1993; the most recent date of election of the other officers was April 15, 1993. Messrs. Agnich, Aylesworth, Junkins, Lane, Martin, Mitchell, Weber and Zimmerman have served as officers of the Registrant for more than five years. Messrs. Hayes, Nielson and Skiles have served as officers of the Registrant since 1991, 1990 and 1992, respectively; and they and Messrs. Brookes, Clubb and Engibous have been employees of the Registrant for more than five years.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information which is contained under the caption "Common Stock Prices and Dividends" on page 38 of the Registrant's 1993 annual report to stockholders, and the information concerning the number of stockholders of record at December 31, 1993 on page 34 of such annual report, are incorporated herein by reference to such annual report.

ITEM 6. Selected Financial Data.

The "Summary of Selected Financial Data" for the years 1989 through 1993 which appears on page 34 of the Registrant's 1993 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Letter to the Stockholders on pages 3-5 of the Registrant's 1993 annual report to stockholders and the information contained under the caption Management Discussion and Analysis of Financial Condition and Results of Operations on pages 35-38 of such annual report are incorporated herein by reference to such annual report.

On March 1, 1994, the Registrant announced it expects the worldwide semiconductor market to grow 17 percent to \$91 billion in 1994, compared to \$77 billion in 1993. The market grew 29 percent in 1993.

On March 9, 1994, the Registrant announced that it had reached semiconductor patent-license agreements with Micron Technology Inc. and Goldstar Electron Co., Ltd. Payments to the Registrant under the agreements include catch-up payments, which will be reflected in the Registrant's first-quarter 1994 results, and ongoing royalties throughout the terms of the licenses (which run through 1998). By reaching agreement with Micron, Goldstar and 24 other semiconductor companies throughout the world, the Registrant has substantially completed the "1990 round" of its semiconductor industry licensing program and can begin to focus on the 1995 round of renewal discussions which will begin next year.

The agreement with Micron ends litigation between the Registrant and Micron, reducing the Registrant's semiconductor patent litigation to two conflicts, that with Fujitsu Limited over the Kilby Patent in Japan and with four semiconductor manufacturers in the United States over the Registrant's plastic encapsulation patents.

The litigation in Japan is proceeding to a conclusion, although the timing of action on the plastic encapsulation lawsuit remains uncertain. The record in the Fujitsu litigation has been closed and no new arguments will be heard by the court. A decision is expected before mid-1994. The Registrant believes the Kilby patent should be enforced by the court. It has to be recognized, however, that litigation is uncertain by its nature as to timing and outcome, and that this litigation is in a country which has yet to establish a clear record for protecting intellectual property.

ITEM 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the Registrant at December 31, 1992 and 1993 and for each of the three years in the period ended December 31, 1993 and the report thereon of the independent auditors, on pages 20-33 of the Registrant's 1993 annual report to stockholders, are incorporated herein by reference to such annual report.

The "Quarterly Financial Data" on page 38 of the Registrant's 1993 annual report to stockholders is also incorporated herein by reference to such annual report.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant.

The information with respect to directors' names, ages, positions, term of office and periods of service, which is contained under the caption "Nominees for Directorship" in the Registrant's proxy statement for the 1994 annual meeting of stockholders, and the information contained in the first two paragraphs under the caption "Other Matters" in such proxy statement, are incorporated herein by reference to such proxy statement.

Information concerning executive officers is set forth in Part I hereof under the caption "Executive Officers of the Registrant."

ITEM 11. Executive Compensation.

The information which is contained under the captions "Directors Compensation" and "Executive Compensation" in the Registrant's proxy statement for the 1994 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management.

The information concerning (a) the only persons that have reported beneficial ownership of more than 5% of the common stock of the Registrant, and (b) the ownership of the Registrant's common stock by the Chief Executive Officer and the four other most highly compensated executive officers, and all executive officers and directors as a group, which is contained under the caption Voting Securities in the Registrant's proxy statement for the 1994 annual meeting of stockholders, is incorporated herein by reference to such proxy statement. The information concerning ownership of the Registrant's common stock by each of the directors, which is contained under the caption Nominees for Directorship in such proxy statement, is also incorporated herein by reference to such proxy statement.

The aggregate market value of voting stock held by non-affiliates of the Registrant shown on the cover page hereof excludes the shares held by the Registrant's directors, some of whom disclaim affiliate status, executive vice presidents and senior vice presidents. These holdings were considered to include shares credited to certain individuals' profit sharing accounts.

ITEM 13. Certain Relationships and Related Transactions.

Not applicable.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) 1 and 2. Financial Statements and Financial Statement Schedules

The financial statements and financial statement schedules are listed in the index on page 15 hereof.

3. Exhibits

Designation of Exhibit in this Report -----	Description of Exhibit -----
3(a)	Restated Certificate of Incorporation of the Registrant.
3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.
3(d)	Certificate of Designations relating to the Registrant's Participating Cumulative Preferred Stock.
3(e)	Certificate of Ownership Merging Texas Instruments Automation Controls, Inc. into the Registrant.
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant.
3(g)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).
4(a)(i)	Rights Agreement dated as of June 17, 1988 between the Registrant and First Chicago Trust Company of New York, formerly Morgan Shareholder Services Trust Company, as Rights Agent, which includes as Exhibit B the form of Rights Certificate.
4(a)(ii)	Assignment and Assumption Agreement dated as of September 24, 1992 among the Registrant, First Chicago Trust Company of New York, formerly Morgan Shareholder Services Trust Company, and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4(a)(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).

Designation of Exhibit in this Report	Description of Exhibit
4(b)	The Registrant agrees to provide the Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries.
10(a)(i)	Texas Instruments Annual Incentive Plan*
10(a)(ii)	Texas Instruments Long-Term Incentive Plan*
10(b)(i)	TI Directors Retirement Benefit Plan (incorporated by reference to Exhibit 10(b)(i) to the Registrant's Annual Report on Form 10-K for the year 1991).
10(b)(ii)	Amendment No. 1 to TI Directors Retirement Benefit Plan (incorporated by reference to Exhibit 10(b)(ii) to the Registrant's Annual Report on Form 10-K for the year 1991).
10(b)(iii)	Amendment No. 2 to TI Directors Retirement Benefit Plan.
10(b)(iv)	Amendment No. 3 to TI Directors Retirement Benefit Plan.
10(b)(v)	Amendment No. 4 to TI Directors Retirement Benefit Plan.
10(b)(vi)	Statement of Policy of Registrant's Board of Directors on Top Officer and Board Member Retirement Practices.*
11	Computation of earnings per common and common equivalent share.
12	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.
13	Registrant's 1993 Annual Report to Stockholders. (With the exception of the items listed in the index to financial statements and financial statement schedules herein, and the items referred to in ITEMS 1, 5, 6, 7 and 8 hereof, the 1993 Annual Report to Stockholders is not to be deemed filed as part of this report.)
21	List of subsidiaries of the Registrant.
23	Consent of Ernst & Young.

*Executive Compensation Plans and Arrangements:

Texas Instruments Annual Incentive Plan - Exhibit 10(a)(i) to this Report.

Texas Instruments Long-Term Incentive Plan -
Exhibit 10(a)(ii) to this Report.

Statements of Policy of Registrant's Board of Directors on
Top Officer and Board Member Retirement Practices - Exhibit
10(b)(vi) to this Report.

(b) Reports on Form 8-K

A Form 8-K, dated December 13, 1993, and amended by a
Form 8-K/A dated January 7, 1994, included a news release
regarding litigation between the Registrant and Cyrix
Corporation.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

By: JERRY R. JUNKINS

Jerry R. Junkins
Chairman of the Board,
President and
Chief Executive Officer

Date: March 18, 1994

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 18th day of March, 1994.

JAMES R. ADAMS

James R. Adams
Director

DAVID M. RODERICK

David M. Roderick
Director

JAMES B. BUSEY IV

James B. Busey IV
Director

GLORIA M. SHATTO

Gloria M. Shatto
Director

GERALD W. FRONTERHOUSE

Gerald W. Fronterhouse
Director

WILLIAM P. WEBER

William P. Weber
Vice Chairman; Director

JERRY R. JUNKINS

Jerry R. Junkins
Chairman of the Board; President;
Chief Executive Officer; Director

CLAYTON K. YEUTTER

Clayton K. Yeutter
Director

WILLIAM S. LEE

William S. Lee
Director

WILLIAM A. AYLESWORTH

William A. Aylesworth
Senior Vice President; Treasurer;
Chief Financial Officer

WILLIAM B. MITCHELL

William B. Mitchell
Vice Chairman; Director

MARVIN M. LANE

Marvin M. Lane, Jr.
Vice President; Corporate Controller

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
(Item 14(a))

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	Annual
	Report to
	Stockholders

Form 10-K	

Information incorporated by reference to the Registrant's 1993 Annual Report to Stockholders:

Consolidated Financial Statements:

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Consolidated Schedules for each of the three years in the period ended December 31, 1993:

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All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 MARKETABLE SECURITIES - OTHER INVESTMENTS
 (In Millions of Dollars)
 Year Ended December 31, 1993

Name of Issuer	Principal Amount	Cost of Each Issue	Market Value of Each Issue at Balance Sheet Date	Amount at Which Security Issue Carried in the Balance Sheet
Institutional Cash Reserves Portfolio	\$ 308	\$ 308	\$ 308	\$ 308
States of the US and their Agencies	140	140	140	140
Other	36	36	36	36

TOTAL				\$ 484 =====

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
PROPERTY, PLANT AND EQUIPMENT
(In Millions of Dollars)
Years Ended December 31, 1993, 1992 and 1991

Classification	Balance at Beginning of Year	Additions at Cost	Deductions		Balance at End of Year
			Retirements or Sales	Fully Depreciated Assets Written Off	
1993					
Land	\$ 69	\$ 1	\$ --	\$ --	\$ 70
Buildings and Improvements	1695	98	37	65	1691
Machinery and Equipment	2670	631	53	389	2859
	-----	-----	-----	-----	-----
	\$4434	\$ 730	\$ 90	\$ 454	\$4620
	=====	=====	=====	=====	=====
1992					
Land	\$ 69	\$ --	\$ --	\$ --	\$ 69
Buildings and Improvements	1711	53	30	39	1695
Machinery and Equipment	2581	376	44	243	2670
	-----	-----	-----	-----	-----
	\$4361	\$ 429	\$ 74	\$ 282	\$4434
	=====	=====	=====	=====	=====
1991					
Land	\$ 71	\$ --	\$ 2	\$ --	\$ 69
Buildings and Improvements	1691	98	36	42	1711
Machinery and Equipment	2455	406	38	242	2581
	-----	-----	-----	-----	-----
	\$4217	\$ 504	\$ 76	\$ 284	\$4361
	=====	=====	=====	=====	=====

Substantially all depreciation is computed by either the declining balance method (primarily 150-percent declining method) or the sum-of-the-years-digits method. Depreciable lives used to calculate depreciation for buildings and improvements are 5-40 years, and for machinery and equipment 3-10 years.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT
 (In Millions of Dollars)
 Years Ended December 31, 1993, 1992 and 1991

Classification	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Deductions		Balance at End of Year
			Retirements or Sales	Fully Depreciated Assets Written Off	
1993					
Buildings and Improvements	\$ 786	\$ 121	\$ 6	\$ 65	\$ 836
Machinery and Equipment	1515	496	41	389	1581
	<u>\$2301</u>	<u>\$ 617</u>	<u>\$ 47</u>	<u>\$ 454</u>	<u>\$2417</u>
1992					
Buildings and Improvements	\$ 704	\$ 129	\$ 8	\$ 39	\$ 786
Machinery and Equipment	1303	481	26	243	1515
	<u>\$2007</u>	<u>\$ 610</u>	<u>\$ 34</u>	<u>\$ 282</u>	<u>\$2301</u>
1991					
Buildings and Improvements	\$ 639	\$ 126	\$ 19	\$ 42	\$ 704
Machinery and Equipment	1098	464	17	242	1303
	<u>\$1737</u>	<u>\$ 590</u>	<u>\$ 36</u>	<u>\$ 284</u>	<u>\$2007</u>

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 ALLOWANCE FOR LOSSES
 (In Millions of Dollars)
 Years Ended December 31, 1993, 1992 and 1991

	Balance at Beginning of Year -----	Additions Charged to Costs and Expenses -----	Deductions -----	Balance at End of Year -----
1993 - - - - -	\$ 34 =====	\$ 87 =====	\$ 79 =====	\$ 42 =====
1992 - - - - -	\$ 45 =====	\$ 75 =====	\$ 86 =====	\$ 34 =====
1991 - - - - -	\$ 45 =====	\$ 82 =====	\$ 82 =====	\$ 45 =====

Allowance for losses from uncollectible accounts, returns, etc., are deducted from accounts receivable in the balance sheet.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 SUPPLEMENTARY INCOME STATEMENT INFORMATION
 (In Millions of Dollars)
 Years Ended December 31, 1993, 1992 and 1991

DESCRIPTION -----	CHARGED TO COSTS AND EXPENSES -----		
	1993 ----	1992 ----	1991 ----
Maintenance and Repairs	\$238 ====	\$210 ====	\$207 ====
Taxes, Other than Payroll and Income	\$ 87 ====	\$ 90 ====	\$ 87 ====

EXHIBIT INDEX

Designation of Exhibit in this Report	Description of Exhibit	Paper (P) or Electronic (E)
3(a)	Restated Certificate of Incorporation of the Registrant.	E
3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.	E
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant.	E
3(d)	Certificate of Designations relating to the Registrant's Participating Cumulative Preferred Stock.	E
3(e)	Certificate of Ownership Merging Texas Instruments Automation Controls, Inc. into the Registrant.	E
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant.	E
3(g)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993).	
4(a)(i)	Rights Agreement dated as of June 17, 1988 between the Registrant and First Chicago Trust Company of New York, formerly Morgan Shareholder Services Trust Company, as Rights Agent, which includes as Exhibit B the form of Rights Certificate.	E
4(a)(ii)	Assignment and Assumption Agreement dated as of September 24, 1992 among the Registrant, First Chicago Trust Company of New York, formerly Morgan Shareholder Services Trust Company, and Harris Trust and Savings Bank (incorporated by reference to Exhibit 4(a)(i) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1992).	

EXHIBIT INDEX

Designation of Exhibit in this Report	Description of Exhibit	Paper (P) or Electronic (E)
4(b)	The Registrant agrees to provide the Commission, upon request, copies of instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries.	
10(a)(i)	Texas Instruments Annual Incentive Plan*	E
10(a)(ii)	Texas Instruments Long-Term Incentive Plan*	E
10(b)(i)	TI Directors Retirement Benefit Plan (incorporated by reference to Exhibit 10(b)(i) to the Registrant's Annual Report on Form 10-K for the year 1991).	
10(b)(ii)	Amendment No. 1 to TI Directors Retirement Benefit Plan (incorporated by reference to Exhibit 10(b)(ii) to the Registrant's Annual Report on Form 10-K for the year 1991).	
10(b)(iii)	Amendment No. 2 to TI Directors Retirement Benefit Plan.	E
10(b)(iv)	Amendment No. 3 to TI Directors Retirement Benefit Plan.	E
10(b)(v)	Amendment No. 4 to TI Directors Retirement Benefit Plan.	E
10(b)(vi)	Statement of Policy of Registrant's Board of Directors on Top Officer and Board Member Retirement Practices.*	E
11	Computation of earnings per common and common equivalent share.	E
12	Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends.	E

EXHIBIT INDEX

Designation of Exhibit in this Report	Description of Exhibit	Paper (P) or Electronic (E)
13	Registrant's 1993 Annual Report to Stockholders. (With the exception of the items listed in the index to financial statements and financial statement schedules herein, and the items referred to in ITEMS 1, 5, 6, 7 and 8 hereof, the 1993 Annual Report to Stockholders is not to be deemed filed as part of this report.)	E
21	List of subsidiaries of the Registrant.	E
23	Consent of Ernst & Young.	E

*Executive Compensation Plans and Arrangements:

Texas Instruments Annual Incentive Plan - Exhibit 10(a)(i) to this Report.

Texas Instruments Long-Term Incentive Plan - Exhibit 10(a)(ii) to this Report.

Statements of Policy of Registrant's Board of Directors on Top Officer and Board Member Retirement Practices - Exhibit 10(b)(vi) to this Report.

RESTATED CERTIFICATE OF INCORPORATION
OF
TEXAS INSTRUMENTS INCORPORATED

(Originally incorporated on December 23, 1938
as Geophysical Service Inc.)

This Restated Certificate of Incorporation was duly adopted by Texas Instruments Incorporated in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware.

FIRST: The name of the corporation is

TEXAS INSTRUMENTS INCORPORATED

SECOND: The registered office of the Company in the State of Delaware is located at 1209 Orange Street in the City of Wilmington, County of New Castle. The name of its registered agent in charge thereof is The Corporation Trust Company, the address of which is 1209 Orange Street, Wilmington, Delaware.

THIRD: The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of all classes of stock which the Company shall have authority to issue is One Hundred Ten Million (110,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of \$25.00 per share, and One Hundred Million (100,000,000) shall be Common Stock with a par value of \$1.00 per share. The Preferred Stock may be issued in one or more series, from time to time, with each such series to have such voting powers, full or limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue of such series adopted by the board of directors of the Company, and the board of directors is hereby expressly vested with authority, to the full extent now or hereafter provided by law, to adopt any such resolution or resolutions.

FIFTH: In addition to the powers now or hereafter conferred by statute and the by-laws of the Company, the board of directors is also expressly authorized to:

a. Make, alter or repeal the by-laws of the Company, subject to the power of the stockholders of the Company having voting power to alter, amend or repeal by-laws made by the board of directors.

b. Remove at any time any officer elected or appointed by the board of directors but only by the affirmative vote of a majority of the whole board of directors. Any other officer of the Company may be removed at any time by a vote of the board of directors, or by any committee or superior officer upon whom such power of removal may be conferred by the by-laws or by the vote of the board of directors.

c. Establish and maintain bonus, profit sharing or other types of incentive or compensation plans or pension or retirement plans for the employees (including officers and directors) of the Company and to fix the amount of the profits to be distributed or shared and to determine the persons to participate in any such plans and the amounts of their respective participation or benefits.

SIXTH: No person shall be liable to the Company for any loss or damage suffered by it on account of any action taken or omitted to be taken by him in good faith as a director, member of a directors' committee or officer of the Company, if such person exercised or used the same degree of care and skill as a prudent man would have exercised or used under the circumstances in the conduct of his own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if he took or omitted to take such action in reliance in good faith upon advice of counsel for the Company, or the books of account or other records of the Company, or reports or information made or furnished to the Company by any officials, accountants, engineers, agents or employees of the Company, or by an independent public accountant or auditor, engineer, appraiser or other expert employed by the Company and selected with reasonable care by the board of directors, by any such committee or by an authorized officer of the Company.

IN WITNESS WHEREOF, Texas Instruments Incorporated has caused its corporate seal to be affixed and this Restated Certificate of Incorporation to be signed by Mark Shepherd, Jr., its Chairman of the Board, and Richard J. Agnich, its Secretary, this 18th day of April, 1985.

TEXAS INSTRUMENTS INCORPORATED

(Corporate Seal)

By /s/ MARK SHEPHERD, JR.

Chairman of the Board

ATTEST:

By /s/ RICHARD J. AGNICH

Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
TEXAS INSTRUMENTS INCORPORATED

TEXAS INSTRUMENTS INCORPORATED, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the Restated Certificate of Incorporation as heretofore amended is hereby amended as follows:

1. A new Article Seventh, reading as follows, is hereby added to the Restated Certificate of Incorporation:

"SEVENTH: A director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended. Any repeal or modification of this Article Seventh by the stockholders of the Company shall not adversely affect any right or protection of a director of the Company existing hereunder with respect to any act or omission occurring prior to or at the time of such repeal or modification."

2. A new Article Eighth, reading as follows, is hereby added to the Restated Certificate of Incorporation:

"EIGHTH: Action shall be taken by the stockholders only at annual or special meetings of stockholders and stockholders may not act by written consent."

SECOND: That said amendments have been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, TEXAS INSTRUMENTS INCORPORATED has caused this Certificate to be signed by Jerry R. Junkins, its President, and attested by Richard J. Agnich, its Secretary, this 16th day of April, 1987.

TEXAS INSTRUMENTS INCORPORATED

By /s/ JERRY R. JUNKINS

Title: President

Attested:

By /s/ RICHARD J. AGNICH

Title: Secretary

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
TEXAS INSTRUMENTS INCORPORATED

TEXAS INSTRUMENTS INCORPORATED, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware,

DOES HEREBY CERTIFY:

FIRST: That the first sentence of Article Fourth of the Restated Certificate of Incorporation as heretofore amended is hereby amended to read as follows:

"The total number of shares of all classes of stock which the Company shall have authority to issue is Three Hundred Ten Million (310,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of \$25.00 per share, and Three Hundred Million (300,000,000) shall be Common Stock with a par value of \$1.00 per share."

SECOND: That said amendment has been duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, TEXAS INSTRUMENTS INCORPORATED has caused this Certificate to be signed by Jerry R. Junkins, its President, and attested by Richard J. Agnich, its Secretary, this 21st day of April, 1988.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS

Title: President

Attested:

By: /s/ RICHARD J. AGNICH

Title: Secretary

CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS OF
PARTICIPATING CUMULATIVE PREFERRED STOCK

of

TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 151 of the
General Corporation Law of the
State of Delaware

We, William E. Boisvert, a Vice President, and Clara C. O'Donnell, Assistant Secretary, of Texas Instruments Incorporated, organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), of the said Company, the said Board of Directors on June 17, 1988 adopted the following resolution creating a series of 1,500,000 shares of Preferred Stock designated as Participating Cumulative Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Company in accordance with the provisions of its Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Participating Cumulative Preferred Stock" and the number of shares constituting such series shall be 1,500,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the Participating Cumulative Preferred Stock with respect to dividends, the holders of shares of Participating Cumulative Preferred Stock, in preference to the shares of Common Stock, par value \$1 per share, of the Company (the "Common Stock"), and any other stock of the Company junior to the Participating Cumulative Preferred Stock with respect to dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fourth Monday of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Participating Cumulative Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Participating Cumulative Preferred Stock. In the event the Company shall at any time after June 17, 1988 (the "Rights Declaration Date") (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Participating Cumulative Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Participating Cumulative Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Participating Cumulative Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Participating Cumulative Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Participating Cumulative Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Participating Cumulative Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Participating Cumulative Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Participating Cumulative Preferred Stock shall have only the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Participating Cumulative Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Participating Cumulative Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) Whenever, at any time, dividends payable on the Participating Cumulative Preferred Stock shall be in arrears for such number of dividend periods as shall in the aggregate contain not less than 540 days, the holders of such series shall have the exclusive right, voting separately as a class with holders of shares of any one or more other series of preferred stock ranking on a parity with such series either as to dividends or on the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Company at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders until such right is terminated as provided in this resolution. At elections for such directors, each holder of Participating Cumulative Preferred Stock shall be entitled to one vote for each one-hundredth of a share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be applicable to them). Upon the vesting of such voting right in the holders of the Participating Cumulative Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such series (with the holders of shares of any one or more other series of preferred stock ranking on such a parity) as hereinafter set forth. The right of the holders of Participating Cumulative Preferred Stock, voting separately as a class with the holders of shares of any one or more other series of preferred stock ranking on such a parity, to elect members of the Board of Directors of the Company as aforesaid shall continue until such time as all dividends accumulated on such series shall have been paid in full, at which time such right shall terminate, except as by law expressly provided, subject to re-vesting in the event of each and every subsequent default of the character above mentioned.

Upon any termination of the right of the holders of the Participating Cumulative Preferred Stock as a class to vote for directors as herein provided, the term of office of all directors then in office elected by the Participating Cumulative Preferred Stock voting as a class shall terminate immediately. If the office of any director elected by the holders of the Participating Cumulative Preferred Stock voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining director elected by the holders of the Participating Cumulative Preferred Stock voting as a class may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Whenever the special voting powers vested in the

holders of the Participating Cumulative Preferred Stock as provided in this resolution shall have expired, the number of directors shall become such number as may be provided for in the By-Laws, or resolution of the Board of Directors thereunder, irrespective of any increase made pursuant to the provisions of this resolution.

(D) Except as set forth herein, holders of Participating Cumulative Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Participating Cumulative Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Participating Cumulative Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Participating Cumulative Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation dissolution or winding up) with the Participating Cumulative Preferred Stock, except dividends paid ratably on the Participating Cumulative Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Participating Cumulative Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Participating Cumulative Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Participating Cumulative Preferred Stock, or any shares of stock ranking on a parity with the Participating Cumulative Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Participating Cumulative Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth in the Certificate of Incorporation.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Participating Cumulative Preferred Stock unless, prior thereto, the holders of shares of Participating Cumulative Preferred Stock shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Participating Cumulative Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Participating Cumulative Preferred Stock, except distributions made ratably on the Participating Cumulative Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time after the Rights Declaration Date declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification

or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Participating Cumulative Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Participating Cumulative Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Participating Cumulative Preferred Stock shall not be redeemable.

Section 9. Rank. The Participating Cumulative Preferred Stock shall rank junior with respect to payment of dividends and on liquidation to all other series of the Company's preferred stock outstanding on the date hereof and to all such other series that may be issued after the date hereof except to the extent that any such other series specifically provides that it shall rank junior to the Participating Cumulative Preferred Stock.

Section 10. Amendment. The Certificate of Incorporation of the Company and these resolutions shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Participating Cumulative Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Participating Cumulative Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Participating Cumulative Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Participating Cumulative Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 21st day of June, 1988.

W.E. BOISVERT

Vice President

Attest:

CLARA C. O'DONNELL

Assistant Secretary

CERTIFICATE OF OWNERSHIP
MERGING
TEXAS INSTRUMENTS AUTOMATION CONTROLS, INC. (MD.DOM.)
INTO
TEXAS INSTRUMENTS INCORPORATED
(PURSUANT TO SECTION 253 OF THE
GENERAL CORPORATION LAW OF DELAWARE)

Texas Instruments Incorporated, a corporation incorporated on the 23rd day of December, 1938 pursuant to the provisions of the General Corporation Law of the State of Delaware does hereby certify that this corporation owns all the capital stock of Texas Instruments Automation Controls, Inc. a corporation incorporated under the laws of the State of Maryland, and that this corporation, by a resolution of its board of directors duly adopted at a meeting held on the 18th day of March, 1988, determined to and did merge into itself said Texas Instruments Automation Controls, Inc. which resolution is in the following words to wit:

RESOLVED, that the Company merge into itself its subsidiary, Texas Instruments Automation Controls, Inc., and assume all of said subsidiary's liabilities and obligations; and it is

FURTHER RESOLVED, that pursuant to Section 253 of the General Corporation law of the State of Delaware, a certificate of ownership setting forth a copy of the resolutions to merge said Texas Instruments Automation Controls, Inc. into the Company and assume its liabilities and obligations, and the date of adoption thereof, shall be executed and acknowledged by the Chairman of the Board, President or any Vice President of the Company, and attested by the Secretary or Assistant Secretary of the Company, and such certificate so executed and acknowledged shall be filed in the office of the Secretary of the State of Delaware, and a certified copy thereof in the office of the Recorder of Deeds of New Castle County.

IN WITNESS WHEREOF, said corporation has caused this certificate to be signed by its president and attest by its secretary, and its corporate seal to be hereto affixed, the 28th day of March, 1988.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ M.M. LANE

Vice President

ATTEST:

By: /s/ RICHARD J. AGNICH

Secretary

CERTIFICATE OF ELIMINATION OF
DESIGNATIONS OF PREFERRED STOCK
OF TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 151(g)
of the General Corporation Law
of the State of Delaware

TEXAS INSTRUMENTS INCORPORATED, a corporation organized and existing under the laws of the State of Delaware, in accordance with the provisions of Section 151(g) of the General Corporation Law of the State of Delaware, hereby certifies as follows:

1. That the Company filed, in the office of the Secretary of State of Delaware, certain Certificates of Designations which established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions, of the following series of the Company's preferred stock:

(a) Market Auction Preferred Stock, Series A (750 shares, \$25.00 par value), Market Auction Preferred Stock, Series B (750 shares, \$25.00 par value), and Market Auction Preferred Stock, Series C (750 shares, \$25.00 par value) (collectively, the "MAPS Series A, B and C") (Certificate of Designations filed on March 3, 1986);

(b) Market Auction Preferred Stock, Series D (750 shares, \$25.00 par value) (the "MAPS Series D") (Certificate of Designations filed on April 25, 1986);

(c) Convertible Money Market Cumulative Preferred TM Stock, Series C-1 (750 shares, \$25.00 par value), Convertible Money Market Cumulative Preferred Stock, Series C- 2 (750 shares, \$25.00 par value), and Convertible Money Market Cumulative Preferred Stock, Series C-3 (750 shares, \$25.00 par value) (collectively, the "CMMP") (Certificate of Designation filed on March 12, 1987);

(d) Market Auction Preferred Stock, Series A-1 (750 shares, \$25.00 par value), Market Auction Preferred Stock, Series B-1 (750 shares, \$25.00 par value), and Market Auction Preferred Stock, Series D-1 (750 shares, \$25.00 par value) (collectively, the "MAPS Series A-1, B-1 and D-1") (Certificate of Designations filed on August 9, 1991);

(e) Money Market Cumulative Preferred Stock, Series 1 (712 shares, \$25.00 par value) and Money Market Cumulative Preferred Stock, Series 2 (746 shares, \$25.00 par value) (collectively, the "MMP") (Certificate of Designations filed on August 9, 1991); and

(f) Series A Conversion Preferred Stock (3,000,000 shares, \$25.00 par value) (Certificate of Designations filed on September 17, 1991).

2. That no shares of said MAPS Series A, B and C, MAPS Series D, CMMP, MAPS Series A-1, B-1 and D-1, MMP and Series A Conversion Preferred Stock are outstanding and no shares thereof will be issued.

3. That, at a duly called meeting of the Board of Directors of the Company, the following resolution was adopted:

RESOLVED, that the appropriate officers of the Company are hereby authorized and directed to file a Certificate with the office of the Secretary of State of Delaware setting forth a copy of this resolution whereupon all reference to the following series of stock, no shares of which are outstanding and no shares of which will be issued, shall be eliminated from the Restated Certificate of Incorporation, as amended, of the Company: (a) Market Auction Preferred Stock, Series A, Series B and Series C (\$25.00 par value), as established by a Certificate of Designations filed in the office of the Secretary of State of Delaware on March 3, 1986; (b) Market Auction Preferred Stock, Series D (\$25.00 par value), as established by a Certificate of Designations filed in the office of the Secretary of State of Delaware on April 25, 1986; (c) Convertible Money Market Cumulative Preferred TM Stock, Series C-1 (\$25.00 par value), Convertible Money Market Cumulative Preferred Stock, Series C-2 (\$25.00 par value), and Convertible Money Market Cumulative Preferred Stock, Series C-3 (\$25.00 par value), as established by a Certificate of Designation filed in the office of the Secretary of State of Delaware on March 12, 1987; (d) Market Auction Preferred Stock, Series A-1, Series B-1 and Series D-1 (\$25.00 par value), as established by a Certificate of Designations filed in the office of the Secretary of State of Delaware on August 9, 1991; (e) Money Market Cumulative Preferred Stock, Series 1 and Series 2 (\$25.00 par value), as established by a Certificate of Designations filed in the office of the Secretary of State of Delaware on August 9, 1991; and (f) Series A Conversion Preferred Stock, (\$25.00 par value), as established by a Certificate of Designations filed in the office of the Secretary of State of Delaware on September 17, 1991.

4. That, accordingly, all reference to the MAPS Series A, B and C, MAPS Series D, CMMP, MAPS Series A-1, B-1 and D-1, MMP and Series A Conversion Preferred Stock of the Company be, and it hereby is, eliminated from the Restated Certificate of Incorporation, as amended, of the Company.

IN WITNESS WHEREOF, TEXAS INSTRUMENTS INCORPORATED has caused this Certificate to be signed by Richard J. Agnich, Senior Vice President, and attested by O. Wayne Coon, its Assistant Secretary, as of this 18th day of March, 1994.

TEXAS INSTRUMENTS INCORPORATED

By: /s/RICHARD J. AGNICH

Senior Vice President

ATTEST:

By: /s/O. WAYNE COON

Assistant Secretary

TEXAS INSTRUMENTS INCORPORATED

and

MORGAN SHAREHOLDER SERVICES TRUST COMPANY,

as Rights Agent

Rights Agreement

Dated as of June 17, 1988

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RIGHTS AGREEMENT

This Rights Agreement dated as of June 17, 1988, between Texas Instruments Incorporated, a Delaware corporation (the "Company"), and Morgan Shareholder Services Trust Company, a New York corporation, as Rights Agent (the "Rights Agent"),

W I T N E S S E T H

WHEREAS, on June 17, 1988 the Board of Directors of the Company authorized and declared a dividend distribution of one Right (hereafter referred to as a "Right") for each share of the Common Stock, par value \$1 per share, of the Company outstanding at the close of business on June 30, 1988 (hereinafter referred to as the "Record Date") (other than shares of such Common Stock held in the Company's treasury on such date) and has authorized the issuance of one Right (as such number may hereafter be adjusted pursuant to the provisions of Section 11(p) hereof) in respect of each share of Common Stock of the Company that shall become outstanding after the Record Date (whether originally issued or delivered from the Company's treasury) and on or prior to the earlier of the Distribution Date and the Expiration Date (as such terms are hereinafter defined), each Right representing the right to purchase one one-hundredth of a share of Participating Cumulative Preferred Stock of the Company having the rights, powers and preferences set forth in the form of Certificate of Designation, Preferences and Rights attached hereto as Exhibit A, upon the terms and subject to the conditions hereinafter set forth (the "Rights");

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated;

(a) "Acquiring Person" shall mean any Person (as hereinafter defined) who or which, together with all Affiliates (as hereinafter defined) and Associates (as hereinafter defined) of such Person, shall be the Beneficial Owner (as hereinafter

defined) of 20% or more of the shares of Common Stock then outstanding, but shall not include the Company, any Subsidiary (as hereinafter defined) of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity (including its Affiliates) organized, appointed or established for or pursuant to the terms of any such plan acting solely in its capacity (or their capacities) under such plan.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date hereof.

(c) A Person shall be deemed the "Beneficial Owner" of, and shall be deemed to "beneficially own", any securities:

(i) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, beneficially owns (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act as in effect on the date of this Agreement) or has the right to dispose of;

(ii) which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to

any agreement, arrangement or understanding (whether or not in writing), or upon the exercise of conversion rights, exchange rights, rights (other than the Rights), warrants or options, or otherwise, provided, however, that a Person shall not be deemed the "Beneficial Owner" of or to "beneficially own" securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment or exchange; or (B) the right to vote, including pursuant to any agreement, arrangement or understanding (whether or not in writing); provided,

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however, that a Person shall not be deemed the "Beneficial Owner" of or to "beneficially own" any security under this clause (B) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (1) arises solely from a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with, the applicable rules and regulations under the Exchange Act and (2) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in clause (B) of subparagraph (ii) of this paragraph (c)) or disposing of any voting securities of the Company.

(d) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(f) "Common Stock" shall mean the Common Stock, par value \$1 per share, of the Company, except that "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

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(g) "Continuing Director" shall mean (i) any member of the Board of Directors of the Company, while such Person is a member of the Board, who is not an Acquiring Person or an Affiliate or Associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any such Affiliate or Associate and was a member of the Board prior to the time any Person becomes an Acquiring Person, and (ii) any Person who subsequently becomes a member of the Board, while such Person is a member of the Board, who is not an Acquiring Person or an Affiliate or Associate of an Acquiring Person or a representative or nominee of an Acquiring Person or of any such Affiliate or Associate, if such Person's nomination for election or election to the Board is recommended or approved by a majority of the Continuing Directors.

(h) "Distribution Date" shall have the mean-

ing defined in Section 3 hereof.

(i) "Person" shall mean any individual, firm, corporation, partnership or other entity.

(j) "Preferred Stock" shall mean the Participating Cumulative Preferred Stock, par value \$25 per share, of the Company.

(k) "Purchase Price" shall have the meaning defined in Section 4 hereof.

(l) "Section 11(a)(ii) Event" shall mean the event described in Section 11(a)(ii).

(m) "Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, the filing of a report pursuant to Section 13(d) under the Exchange Act or pursuant to a comparable successor statute) by the Company or an Acquiring Person indicating that an Acquiring Person has become such.

(n) "Subsidiary" of any Person shall mean any other Person of which securities or other ownership interests having ordinary voting power, in the absence of contingencies, to elect a majority of the board of directors or other Persons performing

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similar functions are at the time directly or indirectly owned by such first Person.

(o) "Triggering Event" shall mean any Section 11(a)(ii) Event or any event described in Section 13(a)(i), (ii) or (iii) hereof.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Stock) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable. In the event the Company appoints one or more Co-Rights Agents, the respective duties of the Rights Agent and any Co-Rights Agents shall be as the Company shall determine.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date or (ii) the close of business on the tenth Business Day after the date of the commencement of a tender or exchange offer by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established for or pursuant to the terms of any such plan) if, upon consummation thereof, such Person would be an Acquiring Person (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced by the certificates for the Common Stock registered in the names of the holders of the Common Stock (which certificates for Common Stock shall be deemed also to be Right Certificates) and not by separate Right Certificates, and (y) the Rights will be transferable only in connection with the transfer of the underlying shares of Common Stock. As soon as practicable after the Company has notified the Rights Agent of the occurrence of the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more right certificates, in substantially the form of Exhibit B hereto (the "Right Certificates"), evidencing one Right for each share of Common Stock so held, subject to adjustment as

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provided herein. In the event that an adjustment in the number of Rights per share of Common Stock has been made

pursuant to Section 11(p) hereof, at the time of distribution of the Right Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that the Right Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) As soon as practicable after the Record Date, the Company will send a copy of a Summary of Rights to Purchase Preferred Stock, in substantially the form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Record Date at the address of such holder shown on the records of the Company. With respect to certificates for the Common Stock outstanding as of the Record Date until the Distribution Date (or the earlier redemption, expiration or termination of the Rights), the Rights will be evidenced by such certificates for the Common Stock registered in the names of the holders of the Common Stock and the registered holders of the Common Stock shall also be registered holders of the associated Rights. Until the Distribution Date (or the earlier redemption, expiration or termination of the Rights), the transfer of any of the certificates for the Common Stock in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

(c) Rights shall be issued in respect of all shares of Common Stock which are issued or delivered out of treasury after the Record Date but on or prior to the Distribution Date (or the earlier redemption, expiration or termination of the Rights). Certificates for the Common Stock issued or delivered out of treasury after the Record Date but on or prior to the earlier of the Distribution Date or the redemption, expiration or termination of the Rights shall be deemed also to be certificates for Rights and shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Texas Instruments Incorporated and Morgan Shareholder Services Trust Company dated as of

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June 17, 1988 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights may be redeemed, may expire, or may be evidenced by separate certificates and no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person or an Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may be null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date (or the earlier redemption, expiration or termination of the Rights) the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone, and the transfer of any of such certificates shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates.

Section 4. Form of Right Certificates. (a) The Right Certificates (and the forms of election to purchase and of assignment and the certificates to be printed on the reverse thereof) shall be substantially in the form of Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as

are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law, rule or regulation or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Right Certificates, whenever distributed, shall be dated as of the Record Date and on their face shall entitle the holders thereof to purchase such number of one one-hundredths of a share of Preferred Stock as shall be set forth therein at the price set forth therein (such exercise price per one one-hundredth of a share, the "Purchase Price"), but the amount and type of securities

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purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Right Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Right Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Right Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Right Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Right Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of such Agreement.

Section 5. Countersignature and Registration.

(a) The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of

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the Company whose manual or facsimile signature is affixed to the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent, issued and delivered with the same force and effect as though the Person who signed such Right Certificates had not ceased to be such officer of the Company. Any Right Certificate may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such Person was not such an officer.

(b) Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Right Certificates

upon exercise or transfer, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates, the certificate number of each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. (a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the Expiration Date (as such term is defined in Section 7(a) hereof), any Right Certificate or Right Certificates may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a share of Preferred Stock (or, following a Triggering Event, Common Stock, other securities, cash or assets, as the case may be) as the Right Certificate or Right Certificates surrendered then entitled such holder (or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Certificates shall make such request in writing

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delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office or offices of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Right Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Right Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) Subject to Section 7(e) hereof, the registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the

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Rights Agent at the principal office or offices of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to

the total number of one one-hundredths of a share of Preferred Stock (or other securities or property, as the case may be) as to which such surrendered Rights are then exercisable, at or prior to the earlier of (i) the close of business on June 17, 1998 (the "Final Expiration Date"), or (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the earlier of (i) and (ii) being herein referred to as the "Expiration Date").

(b) The Purchase Price for each one one-hundredth of a share of Preferred Stock pursuant to the exercise of a Right shall initially be \$200, shall be subject to adjustment from time to time as provided in Section 11 and Section 13(a) hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per one one-hundredth of a share of Preferred Stock (or other shares, securities or property, as the case may be) to be purchased, and an amount equal to any applicable transfer tax, in cash, or in the form of a certified check or money order payment to the order of the Company, the Rights Agent shall, subject to Section 20(k) hereof, thereupon promptly (i)(A) requisition from any transfer agent of the Preferred Stock (or make available, if the Rights Agent is the transfer agent therefor) certificates for the total number of one one-hundredths of a share of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit the total number of shares of Preferred Stock issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of one one-hundredths of a share of Preferred Stock as are to be purchased (in which case certificates for the shares of Preferred Stock represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company will direct the depository agent to comply with such request, (ii)

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requisition from the Company the amount of cash, if any, to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) promptly after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) after receipt thereof, promptly deliver such cash, if any, to or upon the order of the registered holder of such Right Certificate. In the event that the Company is obligated to issue other securities (including Common Stock) of the Company, pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when appropriate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the

Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further

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action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Right Certificates or other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates and Associates or any transferee of any of them hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder of Rights upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Right Certificate surrendered for such exercise and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Right Certificates. All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock. (a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock

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(and, following the occurrence of a Triggering Event, out of its authorized and unissued shares of Common Stock or other securities or out of its authorized and issued shares held in its treasury) the number of shares of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock or other securities) that, as provided in this Agreement, including Section 11(a)(iii) hereof, will be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) issuable and deliverable upon the exercise of Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts

to (i) file, as soon as practicable following the earliest date after the occurrence of a Section 11(a)(ii) Event as of which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(iii) hereof, or as soon as is required by law following the Distribution Date, as the case may be, a registration statement under the Securities Act of 1933, as amended (the "Act"), with respect to the securities purchasable upon exercise of the Rights on an appropriate form, (ii) cause such registration statement to become effective as soon as practicable after such filing and (iii) cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities and (B) the date of the expiration of the Rights. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed 90 days after the date set forth in clause (i) of the first sentence of this Section 9(c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of

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the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. Notwithstanding any such provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction if the requisite qualification in such jurisdiction shall not have been obtained, the exercise thereof shall not be permitted under applicable law or a registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to insure that all one one-hundredths of a share of Preferred Stock (and, following the occurrence of a Triggering Event, Common Stock and/or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates and of any certificates for shares of Preferred Stock (or Common Stock and/or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer involved in the transfer or delivery of Right Certificates to a Person other than, or the issuance or delivery of a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in respect of a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

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Section 10. Preferred Stock Record Date. Each Person (other than the Company) in whose name any certificate for a number of one one-hundredths of a share of Preferred Stock (or Common Stock and/or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional shares of Preferred Stock (or Common Stock and/or other

securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Stock (or Common Stock and/or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a stockholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a)(i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as

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otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the Purchase Price then in effect, the aggregate number and kind of shares of Preferred Stock or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which will require an adjustment under both this Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii) hereof.

(ii) In the event that any Person, alone or together with its Affiliates and Associates or otherwise, shall become an Acquiring Person, then proper provision shall promptly be made so that each holder of a Right, except as provided below and in Section 7(e) hereof, shall thereafter have a right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, in lieu of Preferred Stock, such number of shares of Common Stock of the Company (the "Adjustment Shares") as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event and (y) dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the current market price per share of the Common Stock (determined pursuant to Section 11(d) on the date of the

first occurrence of a Section 11(a)(ii) Event); provided, however, that if the transaction that would otherwise give rise to the foregoing adjustment is also subject to the provisions of Section 13 hereof, then only the provisions of Section 13 hereof shall apply and

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no adjustment shall be made pursuant to this Section 11(a)(ii).

(iii) In the event that the number of shares of Common Stock which are authorized by the Company's certificate of incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights is not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall: (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over (2) the Purchase Price (such excess, the "Spread") and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board of Directors of the Company has deemed to have the same value as shares of Common Stock (such shares of preferred stock, "common stock equivalents")), (4) debt securities of the Company, (5) other assets or (6) any combination of the foregoing having an aggregate value equal to the Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within 30 days following the later of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 hereof shall expire, then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, securities and/or assets in the aggregate equal in value (as determined by the Board of Directors of the Company based upon the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company) to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional Common Stock could be authorized for issuance upon exercise in full of the Rights, the 30 day period set forth above may be extended to the extent necessary,

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but not more than 90 days following the first occurrence of a Section 11(a)(ii) Event, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action is to be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the current market price (as determined pursuant to Section 11(d) hereof) per share of the Common Stock on the later of the date of the first occurrence of a Section 11(a)(ii) Event and the first date that the right to redeem the Rights pursuant to Section 23 hereof shall expire and the value of any

"common stock equivalent" shall be deemed to have the same value as the Common Stock on such date.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Stock entitling them to subscribe for or purchase (for a period expiring within 45 calendar days after such record date) Preferred Stock (or securities having the same rights, privileges and preferences as the shares of Preferred Stock ("equivalent preferred stock")) or securities convertible into Preferred Stock or equivalent preferred stock at a price per share of Preferred Stock or per share of equivalent preferred stock (or having a conversion or exercise price per share, if a security convertible into or exercisable for Preferred Stock or equivalent preferred stock) less than the current market price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such date by a fraction, the numerator of which

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shall be the number of shares of Preferred Stock outstanding on such record date, plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or equivalent preferred stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of additional shares of Preferred Stock and/or equivalent preferred stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Rights Agent and the holders of Rights. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, cash (other than a regular periodic cash dividend out of the earnings or retained earnings of the Company), assets (other than a dividend payable in Preferred Stock, but including any dividend payable in stock other than Preferred Stock) or convertible securities, subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current market price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock on such record date, less the fair market value (as determined in good faith by the Board

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of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such convertible securities, subscription rights or warrants applicable to one share of Preferred Stock and the denominator of which shall be such current market price (as determined pursuant to Section 11(d) hereof) per share of Preferred Stock. Such adjustments shall be made successively whenever such a record date is fixed; and in the event

that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d)(i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "current market price" per share of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the "current market price" per share of the Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for the 10 consecutive Trading Days immediately following such date; provided, however, that in the event that the current market price per share of the Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of the requisite 30 Trading Day or 10 Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current market price" shall be properly adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on

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the New York Stock Exchange or, if the shares of Common Stock are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or traded is open for the transaction of business or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Stock is not publicly held or not so listed or traded, "current market price" per share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors then in office, or if there are no Continuing Directors, by a nationally recognized investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the "current market price" per share of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence

thereof). If the current market price per share of Preferred Stock cannot be determined in the manner described in clause (i) of this Section 11(d), the "current market price" per share of Preferred Stock

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shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the current market price per share of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, "current market price" per share of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, or, if at the time of such determination there is an Acquiring Person, by a majority of the Continuing Directors then in office, or if there are no Continuing Directors, by a nationally recognized investment banking firm selected by the Board of Directors, which determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the "current market price" of one one-hundredth of a share of Preferred Stock shall be equal to the "current market price" of one share of Preferred Stock divided by 100.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a share of Common Stock or other share or one-millionth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which mandates such adjustment or (ii) the Expiration Date.

(f) In the event that at any time, as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right shall be entitled to receive upon exercise of such Right any shares of capital stock other than shares of Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment

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from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Section 11(a), (b), (c), (e), (g), (h), (i), (j), (k) and (m), and the provisions of Sections 7, 9, 10, 13 and 14 with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a share of Preferred Stock (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect

immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of one one-hundredths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a share of Preferred Stock for which such Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest tenthousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall

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make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-hundredth of a share and the number of shares which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value of the number of one one-hundredths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of one one-hundredths of a share of Preferred Stock at such adjusted Purchase Price.

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(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of one one-hundredths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of one one-hundredths of a share of Preferred Stock and other capital stock or securities of the

Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Stock, issuance wholly for cash of any Preferred Stock at less than the current market price, issuance wholly for cash of Preferred Stock or securities which by their terms are convertible into or exchangeable for Preferred Stock, stock dividends or issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to the holders of its Preferred Stock, shall not be taxable to such stockholders.

(n) The Company covenants and agrees that it shall not at any time after the Distribution Date (i) consolidate with, (ii) merge with or into, or (iii) sell or transfer to, in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries taken as a whole, any other Person or Persons if (x) at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments outstanding or agreements or arrangements in effect which would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to,

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simultaneously with or immediately after such consolidation, merger or sale, the stockholders of a Person who constitutes, or would constitute, the "Principal Party" for the purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that after the Distribution Date it will not, except as permitted by Section 23 or Section 26 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the date hereof and prior to the Distribution Date (i) declare a dividend on the outstanding shares of Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, the number of Rights associated with each share of Common Stock then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each share of Common Stock following any such event shall equal the result obtained by multiplying the number of Rights associated with each share of Common Stock immediately prior to such event by a fraction the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of shares of Common Stock outstanding immediately following the occurrence of such event.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such adjustment, (b) promptly file with the Rights Agent and with each transfer agent for

the Preferred Stock and the Common Stock a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate (or, if prior to the

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Distribution Date, to each holder of a certificate representing shares of Common Stock) in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. (a) In the event that, following the Stock Acquisition Date, directly or indirectly, (i) the Company shall consolidate with, or merge with and into, any other Person, and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (ii) any Person shall merge with and into the Company, and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (iii) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons, then, and in each such case, proper provision shall be made so that: (w) each holder of a Right, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price (without giving effect to any adjustment to the Purchase Price pursuant to Section 11(b)) in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid and nonassessable shares of freely tradeable Common Stock of the Principal Party (as hereinafter defined), not subject to any rights of call or first refusal, liens, encumbrances or other claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price (without giving effect to any adjustment to the Purchase Price pursuant to Section 11(b)) by the then number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable immediately prior to the first occurrence of any event described in Section 13(a)(i), (ii) or (iii) hereof (or, if a Section 11(a)(ii) Event has occurred prior to the first occurrence of any event referred to in Section 13(a)(i), (ii) or (iii) hereof, multiplying the number of such 1/100ths of a share for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii)

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Event by the Purchase Price in effect immediately prior to such first occurrence) and dividing that product (which, following the first occurrence of any event referred to in Section 13(a)(i), (ii) or (iii), shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by (2) 50% of the current market price (determined pursuant to Section 11(d)(i) hereof) per share of the Common Stock of such Principal Party on the date of consummation of such consolidation, merger, sale or transfer; (x) the Principal Party shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (y) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply to such Principal Party and (z) such Principal Party shall take such steps (including, but not limited to, the authorization and reservation of a sufficient number of shares of its Common Stock to permit exercise of all outstanding Rights in accordance with this Section 13(a)) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the shares of its Common Stock thereafter deliverable upon the exercise of the Rights.

(b) "Principal Party" shall mean

(1) in the case of any transaction described in clause (i) or (ii) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which shares of Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to the merger or consolidation; and

(2) in the case of any transaction described in clause (iii) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

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provided, however, that in any such case, (x) if the Common Stock of such Person is not at such time and has not been continuously over the preceding 12-month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; and (y) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Stocks of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will

(i) prepare and file a registration statement under the Act with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, will use its best efforts to cause such registration statement to become effective as soon as practicable after such filing and will use its best efforts to cause such registration statement to remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date; and

(ii) will deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

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The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. If any event described in Section 13(a)(i), (ii) or (iii) shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Right Certificates which evidence fractional

Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights the fair value of the Rights on such date as determined in good

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faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock). In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-hundredth of a share of Preferred Stock, the Company may pay to the registered holders of Right Certificates at the time such Right Certificates are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one one-hundredth of a share of Preferred Stock shall be one one-hundredth of the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of any Triggering Event, the Company shall not be required to issue fractions of shares of Common Stock upon exercise of the Rights or to distribute certificates which evidence fractional shares of Common Stock. In lieu of fractional shares of Common Stock, the Company may pay to the registered holders of Right Certificates at the time such Right Certificates are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one share of Common Stock. For purposes of this Section 14(c), the current market value of one share of Common Stock shall be the closing price of one share of Common Stock (as determined pursuant to Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(d) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional share upon exercise of Rights, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of Common Stock); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of, any Person subject to this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of Common Stock;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the Person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Stock

certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent, subject to the last sentence of Section 7(e) hereof, shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree or ruling lifted or otherwise overturned as soon as possible.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of one one-hundredths of a share of Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of

the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 24), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. (a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the

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administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Right Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. (a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the

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full force provided in the Right Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certifi-

cates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any "Acquiring Person" and the determination of "current market price") be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President or any Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

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(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 7(e) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Sections 3, 11, 13 or 23, or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Right Certificate or as to whether any shares of Common Stock or Preferred Stock will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

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(g) The Rights Agent is hereby authorized

and directed to accept instructions with respect to the performance of its duties hereunder from the Chairman of the Board, the President or any Vice President or the Secretary or any Assistant Secretary or the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with instructions of any such officer.

(h) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(k) If, with respect to any Right Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the cases may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights

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Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Stock and Preferred Stock by registered or certified mail, and, subsequent to the Distribution Date, to the holders of the Right Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Stock and Preferred Stock by registered or certified mail, and, subsequent to the Distribution Date, to the holders of the Right Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a corporation organized and doing business under the laws of the United States or of any state of the

United States, in good standing, having a principal office in the State of New York, which is authorized under such laws to exercise stock transfer or corporate trust powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000 or (b) an Affiliate of a corporation described in clause (a) of this sentence. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it

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hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Stock and the Preferred Stock, and, subsequent to the Distribution Date, mail a notice thereof in writing to the registered holders of the Right Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares of stock or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance or sale of shares of Common Stock following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to shares of Common Stock so issued or sold pursuant to the exercise of warrants, stock options or under or to any employee plan, profit sharing trust or other arrangement, or upon the exercise, conversion or exchange of securities outstanding on the date hereof or hereafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Right Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided, however, that (i) no such Right Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the person to whom such Right Certificate would be issued, and (ii) no such Right Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

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Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the close of business on the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing Directors then in office may determine) or (ii) the Final Expiration Date, elect to redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"); provided, however, that if the Board of Directors of the Company authorizes redemption of the Rights at or after the time a Person becomes an Acquiring Person, then there must be Continuing Directors then in office and such authorization shall require the concurrence of a majority of such Continuing Directors. Notwithstanding anything in this Agreement to the contrary, the Rights shall not be exercisable after the

first occurrence of a Section 11(a)(ii) Event until such time as the Company's right of redemption hereunder has expired.

(b) Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights, evidence of which shall have been filed with the Rights Agent, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent for the Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23, and other than in connection with the purchase, acquisition or redemption of shares of Common Stock prior to the Distribution Date.

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Section 24. Notice of Proposed Actions. (a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular quarterly cash dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of its Preferred Stock rights or warrants to subscribe for or to purchase any additional shares of Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with any other Person, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons, or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Right, to the extent feasible and in accordance with Section 25, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 20 days prior to the record date for determining holders of the Preferred Stock for purposes of such action, and in the case of any such other action, at least 20 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of Preferred Stock, whichever shall be the earlier. The failure to give notice required by this Section 24 or any defect therein shall not affect the legality or validity of the action taken by the Company or the vote upon any such action.

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(b) Notwithstanding anything in this Agreement to the contrary, prior to the Distribution Date a filing by the Company with the Securities and Exchange Commission shall constitute sufficient notice to the holders of securities of the Company, including the

Rights, for purposes of this Agreement and no other notice need be given.

(c) In case any Section 11(a)(ii) Event shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 25 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof and (ii) all references in subsection (a) to Preferred Stock shall be deemed thereafter to refer to Common Stock and/or, if appropriate, other securities.

Section 25. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Texas Instruments Incorporated
13500 North Central Expressway
Dallas, Texas 75265
Attention: Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

Morgan Shareholder Services Trust Company
30 West Broadway
New York, New York 10007
Attention: Tenders and Exchanges Department

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate (or, prior to the Distribution Date, to the holder of any certificate repre-

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senting shares of Common Stock) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. Supplements and Amendments. Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock. From and after the Distribution Date and subject to the penultimate sentence of this Section 26, the Company and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder (which shortening or lengthening shall be effective only if there are Continuing Directors then in office and shall require the concurrence of a majority of such Continuing Directors if such supplement or amendment occurs at or after the time a Person becomes an Acquiring Person) or (iv) to change or supplement the provisions hereof in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, however, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to,

the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable. Prior to the

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Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of Common Stock.

Section 27. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. Determinations and Actions by the Board of Directors, etc. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company (with, where specifically provided for herein, the concurrence of the Continuing Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board (with, where specifically provided for herein, the concurrence of the Continuing Directors) or to the Company, or as may be necessary or advisable in the administration of this Agreement, including without limitation, the right and power to (i) interpret the provisions of this Agreement and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board (or, where specifically provided for herein, by the Continuing Directors) in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other parties, and (y) not subject to the Board or the Continuing Directors to any liability to the holders of the Right.

Section 29. Benefits of This Agreement. Nothing in this Agreement shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Stock) any legal or

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equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Stock).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. GOVERNING LAW. THIS AGREEMENT, EACH RIGHT AND EACH RIGHT CERTIFICATE ISSUED HEREUNDER SHALL BE DEEMED TO BE A CONTRACT MADE UNDER THE LAWS OF THE STATE OF DELAWARE AND FOR ALL PURPOSES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS

OF SUCH STATE APPLICABLE TO CONTRACTS TO BE MADE AND PERFORMED ENTIRELY WITHIN SUCH STATE, EXCEPT THAT THE RIGHTS AND OBLIGATIONS OF THE RIGHTS AGENT SHALL BE GOVERNED BY THE LAW OF THE STATE OF NEW YORK.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

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Section 33. Descriptive Headings. The captions herein and table of contents hereto are included for convenience of reference only, do not constitute a part of this Agreement and shall be ignored in the construction and interpretation hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the day and year first above written.

Attest: TEXAS INSTRUMENTS INCORPORATED

By /s/ CLARA C. O'DONELL

Title: Assistant Secretary

By /s/ W.E. BOISVERT

Title: Vice President and Treasurer

Attest: MORGAN SHAREHOLDER SERVICES TRUST COMPANY, as Rights Agent

By /s/ SAL RUSSO

Title: Assistant Secretary

By /s/ JOHN BAMBACH

Title: Assistant Vice President

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Exhibit A

FORM OF CERTIFICATE OF DESIGNATION,
PREFERENCES AND RIGHTS OF
PARTICIPATING CUMULATIVE PREFERRED STOCK

of

TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 151 of the
General Corporation Law of the
State of Delaware

We, William E. Boisvert, a Vice President, and Clara C. O'Donnell, Assistant Secretary, of Texas Instruments Incorporated, organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Certificate of Incorporation, as amended (the "Certificate of Incorporation"), of the said Company, the said Board of Directors on June 17, 1988 adopted the following resolution creating a series of 1,500,000 shares of Preferred Stock designated as Participating Cumulative Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Company in accordance with the provisions of its Certificate of Incorporation, a series of Preferred Stock of the Company be and it hereby is created, and that the designation and amount thereof and the voting

powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Participating Cumulative Preferred Stock" and the number of shares constituting such series shall be 1,500,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock

ranking prior and superior to the Participating Cumulative Preferred Stock with respect to dividends, the holders of shares of Participating Cumulative Preferred Stock, in preference to the shares of Common Stock, par value \$1 per share, of the Company (the "Common Stock"), and any other stock of the Company junior to the Participating Cumulative Preferred Stock with respect to dividends, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the fourth Monday of January, April, July and October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Participating Cumulative Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Participating Cumulative Preferred Stock. In the event the Company shall at any time after June 17, 1988 (the "Rights Declaration Date") (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Company shall declare a dividend or distribution on the Participating Cumulative Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been

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declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1.00 per share on the Participating Cumulative Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Participating Cumulative Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Participating Cumulative Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Participating Cumulative Preferred

Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Participating Cumulative Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Participating Cumulative Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. In addition to any other voting rights required by law, the holders of shares of Participating Cumulative Preferred Stock shall have only the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Participating Cumulative Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Company. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which

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holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Participating Cumulative Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Company.

(C) Whenever, at any time, dividends payable on the Participating Cumulative Preferred Stock shall be in arrears for such number of dividend periods as shall in the aggregate contain not less than 540 days, the holders of such series shall have the exclusive right, voting separately as a class with holders of shares of any one or more other series of preferred stock ranking on a parity with such series either as to dividends or on the distribution of assets upon liquidation, dissolution or winding up and upon which like voting rights have been conferred and are exercisable, to elect two directors of the Company at the Company's next annual meeting of stockholders and at each subsequent annual meeting of stockholders until such right is terminated as provided in this resolution. At elections for such directors, each holder of Participating Cumulative Preferred Stock shall be entitled to one vote for each one-hundredth of a share held (the holders of shares of any other series of preferred stock ranking on such a parity being entitled to such number of votes, if any, for each share of stock held as may be applicable to them). Upon the vesting of such voting right in the holders of the Participating Cumulative Preferred Stock, the maximum authorized number of members of the Board of Directors shall automatically be increased by two and the two vacancies so created shall be filled by vote of the holders of such series (with the holders of shares of any one or more other series of preferred stock ranking on such a parity) as hereinafter set forth. The right of the holders of the Participating Cumulative Preferred Stock, voting separately as a class with the holders of shares of any one or more other series of preferred stock ranking on such a parity, to elect members of the Board of Directors of the Company as aforesaid shall continue until such time as all dividends accumulated on such series shall have been paid in full, at which time such right shall terminate, except as by law expressly provided, subject to revesting in the event

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of each and every subsequent default of the character above

mentioned.

Upon any termination of the right of the holders of the Participating Cumulative Preferred Stock as a class to vote for directors as herein provided, the term of office of all directors then in office elected by the Participating Cumulative Preferred Stock voting as a class shall terminate immediately. If the office of any director elected by the holders of the Participating Cumulative Preferred Stock voting as a class becomes vacant by reason of death, resignation, retirement, disqualification, removal from office, or otherwise, the remaining director elected by the holders of the Participating Cumulative Preferred Stock voting as a class may choose a successor who shall hold office for the unexpired term in respect of which such vacancy occurred. Whenever the special voting powers vested in the holders of the Participating Cumulative Preferred Stock as provided in this resolution shall have expired, the number of directors shall become such number as may be provided for in the By-Laws, or resolution of the Board of Directors thereunder, irrespective of any increase made pursuant to the provisions of this resolution.

(D) Except as set forth herein, holders of Participating Cumulative Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Participating Cumulative Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Participating Cumulative Preferred Stock outstanding shall have been paid in full, the Company shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Participating Cumulative Preferred Stock;

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(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Participating Cumulative Preferred Stock, except dividends paid ratably on the Participating Cumulative Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Participating Cumulative Preferred Stock, provided that the Company may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Company ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Participating Cumulative Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Participating Cumulative Preferred Stock, or any shares of stock ranking on a parity with the Participating Cumulative Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Company shall not permit any subsidiary of the Company to purchase or otherwise acquire for consideration any shares of stock of the Company unless the Company could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Participating Cumulative Preferred Stock purchased or otherwise acquired by the Company in any manner whatsoever shall be retired and cancelled promptly after the acquisition

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thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth in the Certificate of Incorporation.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Company, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Participating Cumulative Preferred Stock unless, prior thereto, the holders of shares of Participating Cumulative Preferred Stock shall have received \$100.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Participating Cumulative Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Participating Cumulative Preferred Stock, except distributions made ratably on the Participating Cumulative Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Company shall at any time after the Rights Declaration Date declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Participating Cumulative Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Company shall enter into any consolidation, merger, combination or other transaction in which the shares of

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Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Participating Cumulative Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Company shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Participating Cumulative Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of June 17, 1988 (the "Rights Agreement") between Texas Instruments Incorporated, a Delaware corporation (the "Company"), and Morgan Shareholder Services Trust Company, a New York corporation (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights

* The portion of the legend in brackets shall be inserted only if applicable and shall replace the preceding sentence.

Agreement) and prior to 5:00 P.M. (New York time) on June 17, 1998 at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one one-hundredth of a fully paid, non-assessable share of Participating Cumulative Preferred Stock (the "Preferred Stock") of the Company, at a cash purchase price of \$200 per one one-hundredth of a share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase and the related Certificate duly executed. The number of Rights evidenced by this Right Certificate (and the number of shares which may be purchased upon exercise thereof) set forth above, and the Purchase Price per share set forth above, are the number and Purchase Price as of June 17, 1988, based on the Preferred Stock as constituted at such date.

Upon the occurrence of a Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Right Certificate are beneficially owned by (i) an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any such Acquiring Person, Associate or Affiliate, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the

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Rights Agent and are also available upon written request to the Company.

This Right Certificate, with or without other Right Certificates, upon surrender at the office or offices of the Rights Agent designated for such purpose, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one one-hundredths of a share of Preferred Stock as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

[Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Board of Directors at a redemption price of \$.01 per Right at any time prior to the close of business on the tenth day after the Stock Acquisition Date, as such term is defined in the Rights Agreement, or such later date as a majority of the Continuing Directors then in office may determine.]*

No fractional shares of Preferred Stock will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or, to receive notice of meetings or other

* Insert language in brackets only if Stock Acquisition Date has not occurred when Right Certificates are distributed.

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actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of _____, 19

Attest: TEXAS INSTRUMENTS INCORPORATED

By _____

Secretary Title:

[seal]

Countersigned:

MORGAN SHAREHOLDER SERVICES TRUST COMPANY,
as Rights Agent

By _____

Authorized Signature

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Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED

hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Right Certificate, together with all right, title and
interest therein, and does hereby irrevocably constitute and
appoint ----- Attorney, to transfer the

within Right Certificate on the books of the within-named
Company, with full power of substitution.

Dated: -----, 19

Signature

Signature Guaranteed:

Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate ___are ___are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it ___ did ___ did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, 19 _____
----- --
Signature

NOTICE

The signatures to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: Texas Instruments Incorporated

The undersigned hereby irrevocably elects to exercise Rights represented by this Right Certificate

to purchase the shares of Preferred Stock issuable upon the exercise of the Rights (or such other securities of the Company or of any other person which may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: , 19

Signature

Signature Guaranteed:

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Certificate

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Right Certificate are not being exercised by or on behalf of a Person

who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it did not acquire the Rights evidenced by this Right Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: , 19

Signature

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

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Exhibit C

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED STOCK

On June 17, 1988, the Board of Directors of Texas Instruments Incorporated (the "Company") declared a dividend distribution of one Right for each outstanding share of Common Stock of the Company to stockholders of record at the close of business on June 30, 1988. When exercisable, each Right entitles the registered holder to purchase from the Company a unit consisting of one one-hundredth of a share (a "Unit") of Participating Cumulative Preferred Stock, par value \$25 per share (the "Preferred Stock") at a cash purchase price of \$200 per Unit (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement between the Company and Morgan Shareholder Services Trust Company, as Rights Agent.

Initially, the Rights will be attached to all outstanding shares of Common Stock, and no separate Right Certificates will be distributed. The Rights will separate from the Common Stock and a Distribution Date will occur upon the earlier of: (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired beneficial ownership of 20% or more of the outstanding shares of Common Stock (the "Stock Acquisition Date"), or (ii) 10 business days following the commencement of a tender offer or exchange offer that would result in a person or group becoming an Acquiring Person. Until the Distribution Date (or earlier redemption or expiration of the Rights), (i) the Rights will be evidenced by the Common Stock certificates and will be transferred with and only with such Common Stock certificates, (ii) new Common Stock certificates issued after June 30, 1988 will contain a notation incorporating the Rights Agreement by reference, and (iii) the surrender for transfer of any certificates for Common Stock will also constitute the transfer of the Rights associated with the Common Stock represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on June 17, 1998, unless previously redeemed by the Company as described below.

As soon as practicable after the Distribution Date, Right Certificates will be mailed to holders of record of Common Stock as of the close of business on the Distribution Date and, thereafter, the separate Right Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, with certain exceptions, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

In the event that any Person shall become an Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by an Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of shares of Common Stock having a market value of two times the Purchase Price of the Right. In the event that, at any time following the Stock Acquisition Date, (i) the Company is acquired in a merger or other business combination transaction or (ii) 50% or more of the Company's assets or earning power is sold, each holder of a Right shall thereafter have the right to receive, upon exercise, common stock of the acquiring company having a value equal to two times the Purchase Price of the Right. The events described in this paragraph are referred to as the "Triggering Events."

The Purchase Price payable, and the number of Units of Preferred Stock or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Stock, (ii) if holders of the Preferred Stock are granted certain rights or warrants to subscribe for Preferred Stock or convertible securities at less than the current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular quarterly cash dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading date prior to the date of exercise.

The Rights may be redeemed in whole, but not in part, at a price of \$.01 per Right by the Board of Directors at any time until the tenth day after the Stock Acquisition Date (or such later date as a majority of the Continuing

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Directors (as defined in the Rights Agreement) then in office may determine). Immediately upon the action of the Board of Directors ordering redemption of the Rights, the Rights will terminate and thereafter the only right of the holders of Rights will be to receive the redemption price.

Until a Right is exercised, the holder will have no rights as a stockholder of the Company (beyond those as an existing stockholder), including the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to stockholders or to the Company, stockholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Common Stock (or other consideration) of the Company or for common stock of an acquiring company as set forth above.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement.

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TEXAS INSTRUMENTS ANNUAL INCENTIVE PLAN
As Amended April 15, 1993

The Texas Instruments Annual Incentive Plan is designed to provide an additional incentive for those employees who are key to the Company's success in the highly technological and competitive industries in which it operates. The Plan provides for rewarding certain employees by awards for outstanding ability and exceptional service based upon the individual's contribution to the Company.

For purposes of the Plan unless otherwise indicated, the term "Company" shall mean Texas Instruments Incorporated and its subsidiaries of which substantially all of the voting stock is owned directly or indirectly by Texas Instruments.

Eligibility

The employees of the Company eligible to receive awards under the Plan shall consist of the group of employees (including officers and directors) in management or other key positions specified for each year by the Committee described below and such other employees as said Committee may designate for such year. If an employee takes an approved leave of absence or dies prior to a determination of awards to be made under the Plan for a year in which the employee was eligible to receive awards under the Plan, such employee on leave or the estate of such deceased employee shall be eligible to receive awards under the Plan for such year. Directors who are not full-time or part-time officers or employees are not eligible to participate in the Plan.

Administration of Plan

The Plan shall be administered by a Committee of the Board of Directors which shall be known as the Compensation Committee (the Committee) which shall be appointed by a majority of the whole Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee, who may replace any absent or disqualified member at any meeting of the Committee. A director may serve as a member or alternate member of the Committee only during periods in which he is a "disinterested person" as described in Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time. No member or alternate member of the Committee shall be eligible, while a member or alternate member, for participation in the Plan. The Committee shall have full power and authority to construe, interpret and administer the Plan. It may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum and all decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the employees.

The Committee shall have the full and exclusive right to make awards under the Plan except as otherwise expressly provided in this Plan. In determining the selection of recipients and the amount or form of any award, the Committee shall take into consideration the contribution of the recipients during the fiscal year to the Company's success and such other factors as the Committee shall determine. The Committee shall have the authority to consult with and receive recommendations from officers or other executives of the Company with regard to these matters.

The Committee may delegate such power, authority and rights with respect to the administration of the Plan as it deems appropriate to one or more members of the management of the Company (including, without limitation, a committee of one or more members of management appointed by the Committee); provided, however, that the Committee shall have the exclusive right to make awards to employees who are directors or officers of the Company, and that any delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

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Expenses of Administration

The expenses of the administration of this Plan, including the dividend equivalents and interest provided in the Plan, shall be borne by the Company and none of them shall be charged against the Incentive Reserve described below.

Amendments

The Board of Directors of the Company may, at any time and from time to time, alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper and in the best interests of the Company, provided, however, that no such action shall affect or impair the rights under any award theretofore granted under the Plan, except that in the case of an employee employed outside the United States (or his beneficiary) the Board may vary the provisions of the Plan as it may deem appropriate to conform with local laws, practices and procedures. Further, unless the stockholders of the Company

shall have first approved thereof, no amendment shall be made which shall increase the maximum amount which may be credited to the Incentive Reserve described below in any year.

Awards

Awards may be made from time to time during each year under the Plan by the Committee or its delegate(s) in amounts which do not exceed the amount then available in the Incentive Reserve described below. Such awards may be denominated in cash, in shares of the Company's common stock, or both, and may be payable in cash or shares, or both, as the Committee may determine.

Scope of the Plan

The Committee shall have the power, in its sole discretion, to determine what payments to eligible employees shall be deemed to be incentive compensation for the purposes of this Plan. Awards under the Company's Patent Incentive Award program shall be deemed not to have been made under this Plan and payments under the Patent Incentive Award program shall not be charged to the Incentive Reserve described below. Payments under any incentive plans which operational organizations of the Company may have from time to time to any employees who are then eligible to receive awards under this Plan shall be charged to the Incentive Reserve described below. Special payments to employees involved in unusual transactions (including, without limitation, a sale of a portion of the business of the Company) shall not be charged to the Incentive Reserve described below unless otherwise determined by the Committee. Nothing in this Plan shall be construed as preventing the Company from having from time to time incentive or other variable compensation plans applicable to employees who are not then eligible to participate in this Plan, and payments of incentive or other variable compensation under such plans to such employees shall not be charged to the Incentive Reserve described below.

Incentive Reserve

For the calendar year 1965 and each of the calendar years thereafter, the Board of Directors shall cause to be credited to an Incentive Reserve (hereinafter called the Reserve) an amount determined as follows:

10% of the amount by which the Company's net income for such year exceeds 6% of net capital but not in excess of the amount paid out as dividends on the common stock of the Company during such year, except that the Board may in its discretion direct that a lesser amount be credited.

As used in this Plan

1. Net income shall mean the amount reported as net income in the annual statement of income for the year as shown by the annual report to stockholders plus interest on long-term debt and amounts credited to the Reserve for such year.

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2. Net capital shall mean the total of stockholders' equity plus long-term debt (less current portion) as shown on the balance sheet as of the end of the year preceding the year for which net income, as above, is determined plus treasury stock held for the purposes of this Plan.

As soon as practicable after the end of each year, the Company's independent auditors shall determine and report to the Board of Directors the maximum amount creditable to the Reserve for that year under the provisions of this Plan. After receipt of such auditors' report, the Board shall determine the amount to be credited to the Reserve for such year and the amount so determined shall be credited to the Reserve as of the close of the year. The Committee shall promptly be advised of the amount so credited to the Reserve and of the total amount available in the Reserve (after deducting any unpaid installments of incentive awards previously granted).

The Committee shall make a determination of awards to be made under the Plan for each year at such time or times as the Committee shall deem appropriate. The aggregate of such awards may be less than, but shall not exceed, the total amount available in the Reserve, except that, after the end of a year and prior to the Board's determination of an amount to be credited to the Reserve for that year, the Committee may make awards in excess of the amount available in the Reserve if such awards are made payable only if an amount adequate to cover such awards is first credited to the Reserve for such year.

If the aggregate of the awards determined by the Committee to be made under the Plan for a given year shall at any time be less than the total amount available in the Reserve, the Committee may at any time or times determine that additional awards be made under the Plan for such year, provided that the aggregate of all awards for such year shall not exceed the total amount available in the Reserve, and that all awards for such year shall be determined on or before December 31 of the following year.

If (i) the amount determined and reported by the Company's independent

auditors as the maximum amount creditable to the Reserve for any year shall for any reason later prove to have been overstated and (ii) the amount credited to the Reserve at the close of such year was in excess of the revised maximum amount creditable to the Reserve for that year, then the amount available at that time or subsequently in the Reserve shall be reduced by the amount of such excess. Thus excess credits to the Reserve resulting from such overstatement shall be corrected exclusively by adjustment of the Reserve then or subsequently available and not by recourse to any person.

Any balance remaining in the Reserve after making awards for any year shall continue in the Reserve and be available for awards for future years except to the extent otherwise directed by the Committee. Any payments that are made by the Company, and any incentive awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution for, outstanding awards previously granted by an acquired company shall not, except in the case of payments made to or incentive awards granted to employees who are officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, be charged to the Reserve.

Payment of Awards

Incentive awards may be made in cash or in Texas Instruments common stock, or partly in cash and partly in stock as the Committee in its discretion may determine. Incentive awards made wholly or partly in stock, or any installments thereof, may be paid wholly or partly in cash as the Committee in its discretion may determine.

The Company shall make available as and when required a sufficient number of shares of its common stock for the purpose of this Plan. Such common stock shall be either authorized and unissued shares or treasury stock.

Authorized and unissued shares and treasury stock shall be valued for the purpose of awards and charged to the Reserve at the simple average of the high and the low prices of Texas Instruments common stock on the Composite Tape on the date the awards are made by the Committee (or if there shall be no trading on that date, then on the first previous date on which there is such trading). Authorized and unissued shares and treasury stock shall be valued for the purpose of payments in cash of awards made in stock, at the simple average of the high and the low prices of Texas Instruments common stock on the Composite Tape on the

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payment date (or if there shall be no trading on that date, then on the first previous date on which there is such trading).

The Committee may direct the awards to the participants or any of them for any year to be paid in a single amount or in installments of equal or varying amounts and may prescribe such terms and conditions concerning payment of such installments as it deems appropriate, including completion of specific periods of employment with the Company or achievement of specific goals established by the Committee, as it deems appropriate, provided that such terms and conditions are not more favorable to a participant than those expressly set forth in this Plan. The Committee may determine that dividend equivalents or interest, as applicable, will be payable with respect to any installments of any award. The Committee may at any time after an incentive award is made amend any such direction and may amend or delete any such terms and conditions concerning payment of installments, if the Committee deems it appropriate.

When the obligation to pay an installment or installments of an award has terminated for any reason, the amounts relating to such installment or installments shall be added back to the Reserve and shall be available for use under this Plan.

Appropriate adjustments in incentive awards payable in Texas Instruments common stock shall be made to give effect to any mergers, consolidations, acquisitions, stock splits, or other relevant changes in capitalization occurring after the effective date of this Plan; however, no fractional shares shall be distributed.

Payments of awards to employees of subsidiaries of the Company shall be paid directly by such subsidiaries.

Withholding

Whenever a participant is obligated to pay to the Company an amount required to be withheld under applicable income tax laws in connection with the payment of stock pursuant to an award under this Plan, such payment may be made (a) in cash, or (b) to the extent from time to time approved by the Committee, (i) in Texas Instruments common stock or (ii) partly in cash and partly in Texas Instruments common stock. For purposes of any payment in Texas Instruments common stock, such stock shall be valued at the simple average of the high and low prices of Texas Instruments common stock on the Composite Tape on the date that the payment in stock becomes taxable (or if there is no trading on that date, then on the first previous date on which there is such trading).

TEXAS INSTRUMENTS LONG-TERM INCENTIVE PLAN
As Adopted April 15, 1993

The Texas Instruments Long-Term Incentive Plan is designed to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

For purposes of the Plan, unless otherwise indicated, the term "Company" shall mean Texas Instruments Incorporated and its subsidiaries of which substantially all of the voting stock is owned directly or indirectly by Texas Instruments.

Eligibility

Any employee of the Company, including any officer or employee-director, shall be eligible to be designated a Participant (defined below). Directors who are not full-time or part-time officers or employees are not eligible to be designated Participants.

Compensation Committee

The Plan shall be administered by a Committee of the Board of Directors which shall be known as the Compensation Committee (the "Committee"). The Committee shall be appointed by a majority of the whole Board and shall consist of not less than three directors. The Board may designate one or more directors as alternate members of the Committee who may replace any absent or disqualified member at any meeting of the Committee. A director may serve as a member or alternate member of the Committee only during periods in which he is a "disinterested person" as described in Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time ("Rule 16b-3"). No member or alternate member of the Committee shall be eligible, while a member or alternate member, for participation in the Plan. The Committee shall have full power and authority to construe, interpret and administer the Plan. It may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum and all decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the employees.

Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) "Award" shall mean any Option, Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.
- (b) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (d) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.
- (e) "Incentive Stock Option" shall mean an option granted under paragraph (a) under the heading "Awards" set forth below that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (f) "Non-Qualified Stock Option" shall mean an option granted under said paragraph (a) that is not intended to be an Incentive Stock Option.
- (g) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (h) "Other Stock-Based Award" shall mean any right granted under paragraph (d) under the heading "Awards" set forth below.
- (i) "Participant" shall mean an employee designated to be granted an Award under the Plan.
- (j) "Performance Unit" shall mean any right granted under paragraph (c) under the heading "Awards" set forth below.
- (k) "Released Securities" shall mean securities that were Restricted Securities with respect to which all applicable restrictions have expired, lapsed, or been waived.

- (l) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.
- (m) "Restricted Stock" shall mean any Share granted under paragraph (b) under the heading "Awards" set forth below.
- (n) "Restricted Stock Unit" shall mean any right granted under said paragraph (b) that is denominated in Shares.
- (o) "Shares" shall mean shares of the common stock of the Company, \$1.00 par value.

Administration of Plan

The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to:

- (i) designate Participants;
- (ii) determine the type or types of Awards to be granted to each Participant under the Plan;
- (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards;
- (iv) determine the terms and conditions of any Award;
- (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended;
- (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee;
- (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan;
- (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and
- (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

Unless otherwise determined by the Committee, the amounts of any dividend equivalents or interest determined by the Committee to be payable with respect to any Awards shall not be counted against the aggregate number of shares available for granting Awards under the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time, and shall

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be final, conclusive and binding upon all persons, including the Company, any Participant, any holder or beneficiary of any Award, any stockholder and any employee of the Company.

Shares Available for Awards

Subject to adjustment as provided below:

(a) Number of Shares Available

- (i) Overall. The number of Shares available for granting Awards (including Awards of Restricted Stock and Restricted Stock Units and Other Stock-Based Awards) under the Plan during the term of the Plan shall be 4,000,000 shares. If, after the effective date of the Plan, any Shares covered by an Award granted under the Plan, or by an option granted under the Company's 1974, 1984 or 1988 Stock Option Plans, or to which such an Award relates, are forfeited, or if an Award or such an option otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such Award or option, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be, or shall become, available for granting Awards under the Plan to the extent permitted by Rule 16b-3.
- (ii) Additional Restriction. The maximum number of Shares that may be awarded under paragraph (b), "Restricted Stock and Restricted Stock Units," and paragraph (d), "Other Stock-Based Awards," under the heading "Awards" below during the term of the Plan shall be 1,000,000 shares.

(b) Accounting for Awards

For purposes of this section:

- (i) If an Award is denominated in Shares, the number of Shares covered by such Award, or to which such Award relates, shall be counted on

the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan; and

- (ii) Awards not denominated in Shares shall be counted against the aggregate number of Shares available for granting Awards under the Plan in such amount and at such time as the Committee shall determine under procedures adopted by the Committee consistent with the purposes of the Plan;

provided, however, that Awards that operate in tandem with (whether granted simultaneously with or at a different time from) other Awards may be counted or not counted under procedures adopted by the Committee in order to avoid double counting. Any Shares that are delivered by the Company, and any Awards that are granted by, or become obligations of, the Company, through the assumption by the Company of, or in substitution for, outstanding awards previously granted by an acquired company shall not, except in the case of Awards granted to employees who are officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended, be counted against the Shares available for granting Awards under the Plan.

(c) Sources of Shares Deliverable Under Awards

Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.

(d) Adjustments

In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split,

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reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; provided, however, in each case, that with respect to Awards of Incentive Stock Options no such adjustment shall be authorized to the extent that such authority would cause the Plan to violate Section 422(b)(1) of the Code or any successor provision thereof; and provided further, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

Awards

(a) Options

The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

- (i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee; provided, however, that, except in the case of Options granted through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.
- (ii) Option Term. The term of each Option shall be fixed by the Committee.
- (iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms, including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price, in which, payment of the exercise price with respect thereto may be made or deemed to have been made.
- (iv) Incentive Stock Options. The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.

(b) Restricted Stock and Restricted Stock Units

- (i) Issuance. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.
- (ii) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.
- (iii) Registration. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of Shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the

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Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

- (iv) Forfeiture. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be delivered to the holder of Restricted Stock promptly after such Restricted Stock shall become Released Securities.

(c) Performance Units

The Committee is hereby authorized to grant Performance Units to Participants. Subject to the terms of the Plan, a Performance Unit granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Unit, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit shall be determined by the Committee.

(d) Other Stock-Based Awards

The Committee is hereby authorized to grant to Participants such other Awards (including, without limitation, stock appreciation rights) that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this paragraph (d) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Awards granted through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(e) General

- (i) No Cash Consideration for Awards. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition

to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

- (iii) Forms of Payment Under Awards. Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities,

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other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

- (iv) Limits on Transfer of Awards. No Award (other than Released Securities), and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution (or, in the case of an Award of Restricted Securities, to the Company); provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant. Each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award (other than Released Securities), and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company.
- (v) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee; provided, however, that in no event shall the term of any Incentive Stock Option exceed a period of ten years from the date of its grant.
- (vi) Share Certificates. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

Amendment and Termination

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

a) Amendments to the Plan

The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan, without the consent of any share owner, Participant, other holder or beneficiary of an Award, or other person; provided, however, that, no such action shall impair the rights under any Award theretofore granted under the Plan and that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company no such amendment, alteration, suspension, discontinuation or termination shall be made that would:

- (i) increase the total number of Shares available for Awards under the Plan, except as provided under the heading "Shares Available for Awards" above; or
- (ii) permit Options or other Stock-Based Awards encompassing rights to purchase Shares to be granted with per Share grant, purchase, or exercise prices of less than the Fair Market Value of a Share on the date of grant thereof, except to the extent permitted in paragraphs (a) or (d) under the heading "Awards" above.

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(b) Amendments to Awards

The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, provided that no such action shall impair the rights of any relevant Participant or holder or beneficiary under any Award theretofore granted under the Plan; and provided further that, except as provided for in paragraph (d) under the heading "Shares Available for Awards" above and in paragraph (c) below, no such action shall reduce the exercise price of any Option.

(c) Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events

The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in paragraph (d) under the heading "Shares Available for Awards" above) affecting the Company, or the financial statements of the Company, or of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) Correction of Defects, Omissions and Inconsistencies

The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

General Provisions

(a) No Rights to Awards

No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) Delegation

The Committee may delegate to one or more officers or managers of the Company, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by, employees who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; provided, that any delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) Withholding

The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes due in respect of an Award, its exercise, or any payment or transfer under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes.

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(d) No Limit on Other Compensation Arrangements

Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) No Right to Employment

The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company. Further, the Company may at any time dismiss a Participant from employment, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) Governing Law

The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Delaware and applicable Federal law.

(g) Severability

If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(h) No Trust or Fund Created

Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(i) No Fractional Shares

No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

Effective Date of the Plan

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

Term of the Plan

No Award shall be granted under the Plan after April 14, 2003. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond such date.

Amendment No. 2

to

TI Directors Retirement Benefit Plan

Texas Instruments Incorporated, a Delaware Corporation with its principal office in Dallas, Texas, hereinafter sometimes referred to as "TI," for the purpose of amending the TI Directors Retirement Benefit Plan dated January 1, 1987, (the "Plan") does hereby agree as follows:

Section 2-2 of Article II of the Plan is hereby amended so as to read as follows:

"Section 2-2. Amount of Retirement Benefits. The retirement benefits payable to a Participant under this Plan who retired prior to July 22, 1988 shall be an annual amount of \$23,250, and the retirement benefits payable to a Participant under this Plan who retires, dies or becomes disabled on or after July 22, 1988 shall be an annual amount equal to sixty percent (60%) of the annual retainer payable to a Director of TI for the year in which the Participant's retirement, death or disability occurs."

This amendment shall be effective as of July 22, 1988.

IN WITNESS WHEREOF, this instrument is executed as of the 22nd day of July, 1988.

TEXAS INSTRUMENTS INCORPORATED

By /s/ WILLIAM F. WHETSEL

William F. Whetsel

AMENDMENT NO. 3

to

TI Directors Retirement Benefit Plan

Texas Instruments Incorporated, a Delaware Corporation with its principal office in Dallas, Texas, hereinafter sometimes referred to as "TI", for the purpose of amending the TI Directors Retirement Benefit Plan dated January 1, 1987, and heretofore amended, (the "Plan") does hereby agree as follows:

"Section 2-1. Eligibility for Retirement Benefits. Each director of TI who meets the following eligibility requirements (hereinafter called "Participant") shall be entitled to receive a retirement benefit hereunder:

- (a) such Participant ceases to serve as director of TI because of retirement, death or disability after having completed as least five (5) years of service as a Director of TI, and
- (b) has not at any time received or been entitled to receive, as a plan participant, any benefits from the TI Employees Pension Plan or any other retirement benefit plan maintained by TI or any subsidiary of TI."

This amendment shall be effective as of April 15, 1993.

IN WITNESS WHEREOF, this instrument is executed as of the 28 day of June.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS

Jerry R. Junkins

AMENDMENT NO. 4

TO

TI DIRECTORS RETIREMENT BENEFIT PLAN

Texas Instruments Incorporated, a Delaware corporation with its principal office in Dallas, Texas hereinafter sometimes referred to as "TI", for the purpose of amending the TI Directors Retirement Benefit Plan dated January 1, 1987 and heretofore amended (the "Plan") does hereby agree that the Plan is amended in the following respects:

1. Section 2-2 of the Plan is hereby amended so as to read as follows:

"Section 2-2. Amount of Retirement Benefits. The retirement benefits payable to Participants under this Plan shall be in the following amounts: (a) for each Participant who retired prior to July 22, 1988, an annual amount of \$23,250; (b) for (i) each Participant who retired, died or became totally disabled on or after July 22, 1988 and prior to February 18, 1994, and (ii) each Participant who is a Director of TI on February 18, 1994 and who does not make the election described in (c) below, an annual amount equal to sixty percent (60%) of the annual retainer payable to a Director of TI for the year in which the Participant's retirement, death or total disability occurs and (c) for each Participant who is a Director of TI on February 18, 1994 and who elects within the time and manner prescribed by TI not to participate in life, medical, dental and accident benefit plans and for each Participant who first becomes a Director of TI after February 18, 1994, an annual amount equal to seventy-five percent (75%) of the annual retainer payable to a Director of TI for the year in which the Participant's retirement, death or total disability occurs.

2. Section 2-5 of the Plan is hereby amended so as to read as follows:

"Section 2-5. Duration of Retirement Benefits. Payment of retirement benefits hereunder shall cease at such time as retirement benefit payments to the Participant have been made for the greater of (a) the life of the Participant, or (b) the number of years equal to the combined number of full years the Participant served as a Director and as a General Director of TI. For purposes of this Section, the term "year" shall mean a twelve (12) consecutive month period, commencing with the first month in which retirement benefits are paid or the first month of service as a Director or General Director, as applicable, and each anniversary of such month."

3. A new Section 2-6, reading as follows, is hereby added to the Plan immediately following Section 2-5 thereof:

"Section 2-6. Optional Form of Payment. Notwithstanding the provisions of Section 2-4 and Section 2-5 of this Plan, in the event a Participant who is entitled to receive retirement benefits hereunder shall elect at the time and in the manner described below, all of the retirement benefits payable to such Participant hereunder shall be paid in the form of a single lump sum payment equal to the then actuarial present value of such retirement benefits. The actuarial present value of the retirement benefits which a Participant is entitled to receive under this Plan shall be determined for purposes of this Section by use of the actuarial assumptions for optional forms of retirement benefit being utilized by the TI Employees Pension Plan for determination of lump sum distributions at the time when such determination is made. The election for a single lump sum payment shall be made in the manner specified by TI and shall be made prior to the date on which the Participant retires from the Board of Directors of TI, dies or becomes totally disabled, except that Directors who retired prior to February 18, 1994 and who as of such date are receiving benefits under this Plan shall make such election with respect to the remaining benefits to which such retired Directors are entitled on or before May 31, 1994".

This Amendment shall be effective as of February 18, 1994.

IN WITNESS WHEREOF, this instrument is executed as of the effective date.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Richard J. Agnich

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

The need for an orderly succession of top TI officers is expressed in the Statement of Policy entitled "Assurance of Organizational Health." As a stimulus to the desired succession, this Statement of Policy provides for optional early retirement of some officers and mandatory retirement of all officers and Board members in accordance with government age discrimination regulations.

A. POLICY

1. Retirement of all TI officers for whom it is permitted by the Age Discrimination in Employment Act is mandatory at age 65.
2. A Board member will not be eligible to stand for reelection to the Board after attaining age 70.
3. The Board of Directors may make available to certain top officers the option to retire at or any time after attaining age 58. This option is separate from and in addition to the early retirement provisions in the TI Employees Pension Plan applicable to all personnel. Those eligible will include the Chairman of the Board, the President, and other personnel specified by the Board. In determining such eligibility, the Board will ordinarily review all employees in job grades specified by the Board. However, a few individuals not in such job grades may also be offered the early retirement option. The Board may specify minimum lengths of service as a condition of eligibility. Officers other than the Chairman and the President will be advised of their forthcoming eligibility at any time after the Board has acted to make the option available to them (usually after attaining age 53). Individuals other than the Chairman and the President to whom the option may be offered will be recommended to the Board by the Compensation Committee upon the suggestion from the Chairman and President.

Anyone electing optional early retirement will enter into an Early Retirement Agreement, which includes a non-compete clause, and will receive Supplemental Early Retirement Compensation, determined in accordance with Appendix A made a part of this statement of policy.

-Retirement...Page 1-

- a. Advising Officers of Early Retirement Options. It will be the responsibility of the Chairman to ensure that any individual receiving an early retirement option from the Board is so advised by the officer to whom the individual is responsible in written form acceptable to the Secretary of the Company.
- b. Compensation and Benefits for a Top Officer Exercising Early Retirement. In addition to the benefits to which a retiree is entitled under current and future TI benefit programs, an officer who exercises his or her option to retire early, at age 58 or some older age, will receive compensation under an Early Retirement Agreement which provides for supplemental early retirement payments determined in accordance with Appendix A attached hereto.
- c. Early Retirement Agreement. An agreement which includes a non-compete clause will be entered into with each top officer when he or she elects early retirement. Such agreement will be substantially in the form provided in Appendix B attached hereto, with such changes as may be approved by the Chief Executive Officer and counsel for TI. Determinations of whether an activity is or is reasonably expected to be competitive with TI and whether there would be significant harm to TI from such competition shall be made by the Chief Executive Officer of TI or his designee after consulting with counsel for the Company. It will be the responsibility of the Secretary of the Company to make periodic appropriate inquiries and advise the Board that the non-compete clause is not violated.
- d. Initiation of Optional Early Retirement. An individual who elects optional early retirement will be responsible for advising in written form, acceptable to the Secretary of the Company, the

officer to whom he or she reports of his or her intended date of early retirement. Such advice should precede the date of retirement to accomplish sufficiently an orderly succession.

-Retirement...Page 2-

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

APPENDIX A
TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

SUPPLEMENTAL EARLY RETIREMENT PAYMENTS

Those employees who are designated by the Board for entitlement to supplemental early retirement payments are entitled to the following upon retirement in accordance with the Top Officer and Board Member Retirement Practices statement of policy:

1. Retirement income from TI Employees Pension Trust calculated in full compliance with the provisions of the TI Employees Pension Plan in effect at the time of retirement.
2. Retiree medical insurance for the retirees and their eligible dependents as described in the TI Retiree Medical Insurance Certificate in effect at the time of retirement.
3. Benefits under any other programs to which they may become entitled in the future as retirees.
4. Supplemental early retirement payments as described below.

Determination of Supplemental Early Retirement Payments

Calculation of this payment results from the following:

Normal retirement annual benefit at age 65, as defined below

times

Reduction percentage appropriate to attained age at early retirement from reduction percentage table below

minus

Early retirement annual benefit from the TI Employees Pension Trust, as defined below

equals

Annual supplemental early retirement payment for life.

Normal retirement annual benefit at age 65 is the benefit which would have been payable to an individual retiring at age 65 and electing the option of annual payment for life from the TI Employees Pension Trust, assuming the top officer would have continued to work to age 65 at a rate of compensation equal to the average annual eligible earnings during his or her last three years before retiring.

-Retirement Practices-Appendix A...Page 1-

Reduction percentage appropriate to attained age at early retirement is:

Age	Percentage Appropriate to Attained Age
58	89.5%
59	91.0
60	92.5
61	94.0
62	95.5
63	97.0
64	98.5
65	100.0

Early retirement annual benefit from TI Employees Pension Trust is the annual retirement benefit for an individual electing the option of single life annuity annual payments for life from the TI Employees Pension Trust payable at the individual's early retirement date.

Although the annual supplemental early retirement payment from the calculation above represents the annual payment payable for life, the employee may, at his or her option, choose to have the benefit paid through age 68. This adjusted

amount is calculated as follows:

- (1) Convert the annual payment if paid for life to a present value lump sum amount using the same lump sum conversion provision that is used for converting an annual pension payment for life to a lump sum payment for the TIer under the TI Pension Plan in effect at the time of retirement.
- (2) Convert the lump sum amount from (1) above to annual payment under early retirement agreement by multiplying the lump sum amount by the following factor:

$$\frac{I (1 + I)^N}{(1 + I)^N - 1}$$

Where

I = The annual interest rate used in the lump sum conversion table described in (1) above.

N = One-twelfth of the number of whole calendar months which will expire between the date of the individual's retirement and the TIer's 69th birthday (N may be an improper fraction).

The payments, whether paid for life or through age 68, are converted to monthly payments by dividing the annual payment by 12.

If a retiree elects payments through age 68 and should die before attaining age 69, such payments shall be made to his or her heirs, legatees, distributees, or personal representatives as if retiree were still living.

-Retirement Practices-Appendix A...Page 2-

If a retiree elects payments for life, he or she may elect a 50% joint and survivors payment which will be computed by use of the factors in use for computation of the joint and survivor annuity normal form of benefit payable under the TI Employees Pension Plan at the TIer's early retirement date.

-Retirement Practices-Appendix A...Page 3-

STATEMENT OF POLICY
THE BOARD OF DIRECTORS

TEXAS INSTRUMENTS INCORPORATED

APPENDIX B
TOP OFFICER AND BOARD MEMBER RETIREMENT PRACTICES

Those employees who have been offered and elected optional early retirement under the Top Officer and Board Member Retirement Practices statement of policy will enter into an early retirement agreement, a sample of which is as follows:

EARLY RETIREMENT AGREEMENT

This Agreement, made this ____ day of _____, 19__, by Texas Instruments Incorporated (hereinafter ("TI") and _____ (hereinafter "Retiree") witnesseth:

Recitals

A. Retiree has been employed by TI for approximately _____ years and has acquired sensitive information concerning TI's business and financial policies, practices and plans;

B. Retiree is eligible for early retirement pursuant to the terms of TI's pension plan and expects to take early retirement on _____, 19__, at which time Retiree will be entitled to retirement benefits including profit sharing and pension benefits;

C. TI desires Retiree to refrain from competition with TI after retirement;

D. Retiree is willing to refrain from competition with TI in accordance with the terms hereof.

Covenants

Now, therefore, in consideration of the premises and of the mutual covenants herein contained, the parties hereto agree as follows:

- 1. From the date hereof through _____* Retiree shall not, without the prior approval of TI, (i) as partner, director, officer, employee or consultant, engage in any activity which is or is reasonably expected to be competitive to TI; (ii) have an ownership interest in any such competing or potentially competing business whose stock is not publicly traded; or (iii) own more than five percent of the outstanding stock in any such competing or

potentially competing business whose stock is publicly traded. It is the intent of the Retiree and TI to limit the instances in which this paragraph will prohibit Retiree from participating in economic activities which might be in competition with TI to those activities which would cause significant harm to TI.

* Date immediately prior to date of 69th birthday.

-Retirement Practices-Appendix B...Page 1-

2. TI shall pay to Retiree _____ monthly payments of \$_____ each beginning on _____, 19__, and ending with a final payment on _____, 19__. This is in addition to any benefits payable under TI's Pension Plan or other benefit plan. If Retiree should die prior to attaining age 69, payment shall be made to Retiree's heirs, legatees, distributees, or personal representatives as if Retiree were still living.

3. Retiree and TI agree that if Retiree, during retirement, engages in any business activity which competes substantially with the business of TI, the Retiree shall forfeit all rights to any future payments he or she would have received under this agreement. The TI Board of Directors will in its sole and absolute discretion determine at any time what business activities compete substantially with the business of TI and also may waive the provisions of this paragraph.

4. Retiree shall not be an employee of TI hereunder. Retiree shall upon request of TI, unless prevented by valid reasons such as health, act as a consultant to TI as an independent contractor for such periods of time (not exceeding the equivalent of _____ days per year) as TI shall request, at such rates of compensation as TI and Retiree shall mutually agree upon.

5. Retiree shall keep confidential, shall not use for his or her own benefit and shall not disclose to others any nonpublic TI information learned by Retiree in the course of his or her activities as a former employee of TI.

IN WITNESS WHEREOF, the parties hereto have executed these presents on the date set forth above.

TEXAS INSTRUMENTS INCORPORATED

Retiree

By: -----

-Retirement Practices-Appendix B...Page 2-

EXHIBIT 11

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 PRIMARY AND FULLY DILUTED EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE
 (In thousands, except per-share amounts.)

	Years Ended December 31		
	1993	1992	1991
Income (loss) before cumulative effect of accounting changes	\$476,226	\$247,001	\$(409,214)
Less preferred dividends accrued:			
Market auction preferred	(2,043)	(7,617)	(15,638)
Money market preferred	(2,028)	(4,723)	(3,938)
Convertible money market preferred	-	-	(6,931)
Series A conversion preferred	(16,097)	(25,118)	(7,116)
Add:			
Dividends on series A conversion preferred shares assumed converted	16,097	-	-
Interest, net of tax and profit sharing effect, on convertible debentures assumed converted	2,681	3,945	-
Adjusted income (loss) before cumulative effect of accounting changes	474,836	213,488	(442,837)
Cumulative effect of accounting changes	(4,173)	-	-
Adjusted net income (loss)	\$470,663	\$213,488	\$(442,837)
	=====	=====	=====
Earnings (loss) per Common and Common Equivalent Share:			
Weighted average common shares outstanding	85,950	82,324	81,970
Weighted average common equivalent shares:			
Stock option and compensation plans	1,323	373	-
Convertible debentures	2,413	2,614	-
Series A conversion preferred	3,920	-	-
Weighted average common and common equivalent shares	93,606	85,311	81,970
	=====	=====	=====
Earnings (loss) per Common and Common Equivalent Share:			
Income (loss) before cumulative effect of accounting changes ...	\$ 5.07	\$ 2.50	\$ (5.40)
Cumulative effect of accounting changes	(0.04)	-	-
Net income (loss)	\$ 5.03	\$ 2.50	\$ (5.40)
Earnings (loss) per Common Share Assuming Full Dilution:			
Weighted average common shares outstanding	85,950	82,324	81,970
Weighted average common equivalent shares:			
Stock option and compensation plans	1,394	859	-
Convertible debentures	2,413	2,614	-
Series A conversion preferred	3,920	-	-
Weighted average common and common equivalent shares	93,677	85,797	81,970
	=====	=====	=====
Earnings (loss) per Common Share Assuming Full Dilution:			
Income (loss) before cumulative effect of accounting changes ...	\$ 5.07	\$ 2.49	\$ (5.40)
Cumulative effect of accounting changes	(0.05)	-	-
Net income (loss)	\$ 5.02	\$ 2.49	\$ (5.40)

/TABLE

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND RATIO OF
 EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
 (Dollars in millions)

	1989	1990	1991	1992	1993
	-----	-----	-----	-----	-----
Income (loss) before income taxes and fixed charges:					
Income (loss) before cumulative effect of accounting changes, interest expense on loans, capitalized interest amortized, and provision for income taxes	\$ 387	\$ 14	\$(250)	\$ 433	\$ 755
Add interest attributable to rental and lease expense	47	50	43	42	38
	-----	-----	-----	-----	-----
	\$ 434	\$ 64	\$(207)	\$ 475	\$ 793
	=====	=====	=====	=====	=====
Fixed charges:					
Total interest on loans (expensed and capitalized)	\$ 38	\$ 47	\$ 59	\$ 57	\$ 55
Interest attributable to rental and lease expense	47	50	43	42	38
	-----	-----	-----	-----	-----
Fixed charges	\$ 85	\$ 97	\$ 102	\$ 99	\$ 93
	=====	=====	=====	=====	=====
Combined fixed charges and preferred stock dividends:					
Fixed charges	\$ 85	\$ 97	\$ 102	\$ 99	\$ 93
Preferred stock dividends (adj. as appropriate to a pretax equivalent basis)	47	36	34	55	29
	-----	-----	-----	-----	-----
Combined fixed charges and preferred stock dividends	\$ 132	\$ 133	\$ 136	\$ 154	\$ 122
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges	5.1	*	* 4.8	8.5	=====
	=====	=====	=====	=====	=====
Ratio of earnings to combined fixed charges and preferred stock dividends	3.3	**	** 3.1	6.5	=====
	=====	=====	=====	=====	=====

* Not meaningful. The coverage deficiency was \$33 million in 1990 and \$309 million in 1991.

** Not meaningful. The coverage deficiency was \$69 million in 1990 and \$343 million in 1991.

/TABLE

TO THE STOCKHOLDERS OF TEXAS INSTRUMENTS:

Strong performance in TI's semiconductor business led the company to one of the best financial years in its history. Earnings per share doubled from 1992 on a 15 percent increase in revenues. The company set records for revenues, profits and earnings per share in 1993.

Financial Summary

TI's net revenues for 1993 were \$8523 million, compared with \$7440 million in 1992. Essentially all of the increase was in semiconductor revenues, with strength across all major product lines and in all major geographic regions. Profit from operations was \$728 million in 1993, up 73 percent from \$420 million in 1992. Higher semiconductor operating profits and higher royalties accounted for virtually all of the increase. Results for 1993 include a profit-sharing accrual of \$83 million. There was no accrual for profit sharing in 1992. Net income for the year was \$472 million, compared with \$247 million in 1992. Earnings per share were \$5.03, compared with \$2.50 per share in 1992. Results for the year include royalty revenues of \$521 million, compared with \$391 million in 1992. Profit after tax return on assets (PAT ROA) was 8.1 percent, compared with 4.1 percent in 1992. This represents substantial progress toward our goal of achieving a sustainable 8-10 percent PAT ROA to increase shareholder value.

Results Validate Strategies

In the last few years, we have taken actions to reposition our businesses in the marketplace and streamline operations across TI. The improvement in our financial performance shows that our strategies are working:

- -- About one-half of our semiconductor revenues are from differentiated products. We believe TI's semiconductor revenues grew faster than the market in 1993 for the second consecutive year. TI is gaining share in microprocessors. We are the acknowledged leader in the rapidly growing digital signal processor market, and we have a strong position in the market for linear mixed-signal devices. TI's bipolar business is shifting to advanced system logic, with new differentiated products for emerging markets in computers, consumer electronics and telecommunications.
- -- Our defense business is handling a difficult restructuring job exceptionally well, and continues to maintain stable margins and meet TI's goal for return on assets. We are continuing to size for a smaller market, and we are winning new contracts and exploring opportunities for strategic growth.
- -- Our information technology activity is focused on building a major business in software productivity tools and applications. The financial performance of this business in 1993 was below expectations. We continue to strengthen our product position in client/server software. We have moderated the planned growth rate for this business to focus on achieving acceptable profitability.
- -- Our materials and controls business has invested in several opportunities that could add substantial growth. The TIRIS(TM) radio-frequency identification system was adopted by Ford in Europe for auto security. The TIRIS system is an excellent example of applying our technology in creative ways to open new markets.
- -- We are becoming known as a valued business partner in every region of the world. We strengthened our position as the number one foreign supplier to the Japanese semiconductor market in 1993. Our revenues in the Asia-Pacific

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region have doubled in the past two years and grew significantly faster than the market in 1993. In Europe, we are building a strong position in semiconductors for the telecommunications market based on alliances with the market leaders.

- -- We have established a mechanism for nurturing potentially breakthrough opportunities that fall outside our current businesses. We've made substantial investments to develop the digital micromirror device (DMD)(TM) technology. We are still assessing the business potential for this technology, but it could offer a significant opportunity for the future.

Pursuing Operational Excellence

We could not have achieved these results without making significant changes in the way we operate. Our success has come from the efforts of thousands of

teams of TIers, dedicated to quality and willing to make the changes necessary to improve processes and satisfy our customers.

We believe there is a strong correlation between commitment to total quality and improvement in financial measures such as profitability and cash flow. Our semiconductor business has consistently achieved greater than 90 percent on-time delivery performance and has reduced manufacturing cycle times by more than half in the last two years. Customer recognition of these achievements has resulted in more than 100 quality awards in that time, including the Total Quality Excellence Award from Ford. The reduction in cycle time and other operational improvements contributed significantly to the increase in semiconductor revenues in 1993. In addition, they also have resulted in improved cash flow and lower inventories relative to revenues. In what we believe to be a record for the industry, TECH Semiconductor, the joint-venture facility in Singapore, achieved volume production of four-megabit DRAMs in December, only three months after initial qualification. Our defense electronics business, a 1992 winner of the Malcolm Baldrige National Quality Award, consistently turns in strong financial performance. As part of its strategy for achieving business excellence, TI Europe has adopted the European Foundation for Quality Management (EFQM) criteria, which are similar to the Baldrige criteria and accepted by European customers. This focus on cycle time and quality has contributed to greater productivity for TI as a whole, with net revenues per person improving by about 40 percent in the last two years.

Building for the Future

In addition to turning in record financial performance, we are also doing the things needed for the future. In late 1993, we combined our consumer and peripheral products businesses to create a new operation focused on products that enhance personal productivity. While this required a pretax charge in the fourth quarter, we expect the consolidation, when fully implemented, to result in annual savings of about \$25 million through more efficient operations and combined marketing channels. We will continue to streamline operations as necessary in all of our businesses.

At the same time, we have added and converted resources to take advantage of new market opportunities. With higher royalties, we were able to increase research and development (R&D) investments by \$120 million in 1993, to \$590 million. We expect to increase these investments to about \$700 million in 1994, with most of the increase supporting new semiconductor technologies. We have also strengthened our patent evaluation and filing process. In the past three years, TI has received about 1,200 new patents. Several of these are in technology areas that we believe will be important to the future of the electronics industry, including video graphics, signal processing, memory modules, and advanced semiconductor packaging. We believe these new patents strengthen our intellectual property portfolio for the future.

We also invested \$730 million in capital in 1993. We began construction of a new wafer-fabrication facility in Dallas. The initial phase is expected to reduce sharply the time required to get new semiconductor products from research to vol-

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ume production. Capital expenditures in 1994 are expected to be about \$1 billion, primarily for expansion of submicron CMOS semiconductor capacity, including investments in the new Dallas facility.

New TI Leadership Structure

Building on what we have accomplished in the last few years, and to prepare for the next phase of growth, we established a new leadership structure for the company in December 1993. We created an Office of the Chief Executive, and a Strategy Leadership Team composed of TI senior officers. This team will be the focal point for key decisions in the company. This structure embodies a management philosophy based on teamwork and partnership. It gives top managers more time to spend with customers, it promotes faster and better decisions, and it will help us build a more integrated, global company that can take full advantage of growth opportunities around the world.

Outlook

For 1994, we believe world semiconductor demand will grow in line with the long-term trend of about 15 percent, as the major economies of the world continue to experience low inflation rates and increased capital spending to improve productivity. While weakness in the economies of Japan and Germany will restrain the pace of near-term market growth, the strength of U.S. electronics and the emergence of new markets in Asia provide sufficient opportunities to continue steady growth in our semiconductor business.

For the longer term, conservative capacity additions relative to revenues and continued tight control of semiconductor inventories by end-equipment manufacturers should lead to greater stability for the semiconductor industry. This means more orderly growth around the long-term trend line. Such an environment would provide the opportunity to continue our emphasis on operational improvements and productivity gains, helping to achieve our goal

for return on assets.

In defense electronics, we expect to see continued market decline in 1994, with a dampening effect on TI's defense revenues.

Because of actions taken in the last several years, TI today is much more competitive in world markets. Our priorities for 1994 are to implement the new leadership and organization changes, to achieve further improvement in total cycle time and quality, and to continue improving our productivity. Success in these areas will contribute to achieving our goal of a sustainable 8-10 percent profit after tax return on assets. We believe this level of performance provides an appropriate return to our shareholders while allowing us to reinvest in the business, achieve continually higher levels of customer satisfaction, and build an increasingly productive, rewarding work environment.

Jerry R. Junkins
Chairman, President and
Chief Executive Officer

Dallas, Texas
January 28, 1994

Consolidated Financial Statements
Texas Instruments Incorporated and Subsidiaries
(In millions of dollars, except per-share amounts.)

	For the years ended December 31		
Income	1993	1992	1991
Net revenues	\$8,523	\$7,440	\$6,784
Operating costs and expenses:			
Cost of revenues	6,274	5,720	5,662
General, administrative and marketing	1,247	1,170	1,277
Employees' retirement and profit sharing plans	274	130	94
Total	7,795	7,020	7,033
Profit (loss) from operations	728	420	(249)
Other income (expense) net	15	--	(14)
Interest on loans	47	51	41
Income (loss) before provision for income taxes and cumulative effect of accounting changes	696	369	(304)
Provision for income taxes	220	122	105
Income (loss) before cumulative effect of accounting changes	476	247	(409)
Cumulative effect of accounting changes ...	(4)	--	--
Net income (loss)	\$ 472	\$ 247	\$ (409)
	=====	=====	=====
Net income (loss), less dividends accrued on preferred stock	\$ 452	\$ 210	\$ (443)
	=====	=====	=====
Earnings (loss) per common and common equivalent share:			
Income (loss) before cumulative effect of accounting changes	\$ 5.07	\$ 2.50	\$(5.40)
Cumulative effect of accounting changes ..	(0.04)	--	--
Net income (loss)	\$ 5.03	\$ 2.50	\$(5.40)
	=====	=====	=====

See accompanying notes.

Balance Sheet	December 31	
	1993	1992
Assets		
Current assets:		
Cash and cash equivalents	\$ 404	\$ 356
Short-term investments	484	503
Accounts receivable, less allowance for losses of \$42 million in 1993 and \$34 million in 1992	1,218	975
Inventories (net of progress billings)	822	734
Prepaid expenses	55	53
Deferred income taxes	331	5
Total current assets	3,314	2,626
Property, plant and equipment at cost	4,620	4,434
Less accumulated depreciation	(2,417)	(2,301)
Property, plant and equipment (net)	2,203	2,133
Deferred income taxes	237	152
Other assets	239	274
Total assets	\$5,993	\$5,185
Liabilities and Stockholders' Equity		
Current liabilities:		
Loans payable and current portion long-term debt	\$ 211	\$ 54
Accounts payable and accrued expenses	1,495	1,460
Income taxes payable	120	93
Accrued retirement and profit sharing contributions	158	36
Dividends payable	17	22
Total current liabilities	2,001	1,665
Long-term debt	694	909
Accrued retirement costs	739	324
Deferred credits and other liabilities	244	340
Stockholders' equity:		
Preferred stock, \$25 par value. Authorized - 10,000,000 shares.		
Market auction preferred (stated at liquidation value). Shares issued and outstanding: 1992 - 750	--	75
Money market preferred (stated at liquidation value). Shares issued and outstanding: 1992 - 746	--	75
Series A conversion preferred, stated at par value (liquidation value: 1992 - \$324 million). Shares issued and outstanding: 1992 - 2,778,500	--	69
Participating cumulative preferred. None issued	--	--
Common stock, \$1 par value. Authorized - 300,000,000 shares. Shares issued: 1993 - 90,919,314; 1992 - 82,703,207	91	83
Paid-in capital	932	770
Retained earnings	1,307	916
Less treasury common stock at cost.		
Shares: 1993 - 102,522; 1992 - 103,863	(5)	(4)
Other	(10)	(37)
Total stockholders' equity	2,315	1,947
Total liabilities and stockholders' equity	\$5,993	\$5,185

See accompanying notes.

Consolidated Financial Statements
Texas Instruments Incorporated and Subsidiaries
(In millions of dollars, except per-share amounts.)

	For the years ended December 31		
Cash Flows	1993	1992	1991
Cash flows from operating activities:			
Net income (loss) before cumulative effect of accounting changes	\$ 476	\$ 247	\$ (409)
Depreciation	617	610	590
Deferred income taxes	(59)	(93)	42
Net currency exchange losses	4	3	9
(Increase) decrease in working capital (excluding cash and cash equivalents, short-term investments, deferred income taxes, loans payable and current portion long-term debt, and dividends payable):			
Accounts receivable	(258)	(111)	11
Inventories	(88)	50	55
Prepaid expenses	(3)	1	1
Accounts payable and accrued expenses	37	(16)	53
Income taxes payable	27	52	10
Accrued retirement and profit sharing contributions	94	12	19
Increase in noncurrent accrued retirement costs	21	39	91
Other	66	7	(55)
	934	801	417
Cash flows from investing activities:			
Additions to property, plant and equipment	(730)	(429)	(504)
(Increase) decrease in short-term investments..	19	(354)	(140)
Proceeds from sales of businesses	--	48	111
	(711)	(735)	(533)
Cash flows from financing activities:			
Additions to loans payable	35	92	79
Payments on loans payable	(72)	(61)	(84)
Additions to long-term debt	14	150	356
Payments on long-term debt	(15)	(117)	(173)
Proceeds from issuance of preferred stock	--	--	314
Redemptions of auction-rate preferred stock ...	(150)	(146)	(225)
Dividends paid on common and preferred stock ..	(86)	(98)	(90)
Sales and other common stock transactions	100	25	11
Other	6	(2)	(15)
	(168)	(157)	173
Effect of exchange rate changes on cash	(7)	(5)	(8)
	48	(96)	49
Cash and cash equivalents at beginning of year..	356	452	403
	\$ 404	\$ 356	\$ 452
	=====	=====	=====

See accompanying notes.

Stockholders' Equity	Market Auction/ Money Market* Preferred Stock	) Conversion Series A Preferred Stock	Common Stock	Paid-In Capital	Treasury Retained Earnings	Common Stock	Other
Balance, December 31, 1990	\$ 521	\$ --	\$ 82	\$ 491	\$1,269	\$ (5)	\$ --
1991							
Net loss					(409)		
Dividends declared on:							
Market auction preferred stock ...					(14)		
Money market preferred stock*					(12)		
Series A conversion preferred stock (\$3.31 per share)					(9)		
Common stock (\$.72 per share)					(59)		
Redemptions of auction-rate preferred stock	(225)						
Series A conversion preferred stock issued		69		245			
Common stock issued on exercise of stock options				10		3	
Other stock transactions, net						(2)	
Balance, December 31, 1991	296	69	82	746	766	(4)	--
1992							
Net income					247		
Dividends declared on:							
Market auction preferred stock ...					(8)		
Money market preferred stock					(4)		
Series A conversion preferred stock (\$9.04 per share)					(25)		
Common stock (\$.72 per share)					(60)		
Redemptions of auction-rate preferred stock	(146)						
Common stock issued on exercise of stock options			1	15		3	
Other stock transactions, net				9		(3)	
Pension liability adjustment							(37)
Balance, December 31, 1992	150	69	83	770	916	(4)	(37)
1993							
Net income					472		
Dividends declared on:							
Market auction preferred stock ...					(2)		
Money market preferred stock					(2)		
Series A conversion preferred stock (\$5.45 per share)					(14)		
Common stock (\$.72 per share)					(63)		
Redemptions of auction-rate preferred stock	(150)						
Redemptions of Series A conversion preferred stock		(69)	6	63			
Common stock issued:							
To profit sharing trusts				13			
On exercise of stock options			2	67		2	
Other stock transactions, net				19		(3)	
Pension liability adjustment							27
Balance, December 31, 1993	\$ --	\$ --	\$ 91	\$ 932	\$1,307	\$ (5)	\$ (10)
	=====	=====	=====	=====	=====	=====	=====

* Convertible money market preferred stock prior to August 9, 1991.

See accompanying notes.

Notes to Financial Statements

Accounting Policies and Practices

Effective January 1, 1993, the company adopted two new accounting standards: SFAS No. 106, which requires the accrual of expected retiree health care benefit costs during the employees' working careers, and SFAS No. 109, which requires increased recording of deferred income tax assets. This resulted in a charge of \$294 million (\$3.14 per share) for SFAS No. 106 and a credit of \$290 million (\$3.10 per share) for SFAS No. 109, for the cumulative effect of the accounting changes.

The consolidated financial statements include the accounts of all subsidiaries. Intercompany balances and transactions have been eliminated. The U.S. dollar is the functional currency for financial reporting. With regard to accounts recorded in currencies other than U.S. dollars, current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at year end. Inventories, property, plant and equipment and depreciation thereon are remeasured at historic exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate month-end rate of exchange. Net currency exchange gains and losses from remeasurement and currency exchange contracts to hedge exposure are charged or credited to income currently. Gains and losses from currency and interest exchange contracts to hedge specific transactions are included in the measurement of the related transactions.

Inventories are stated at the lower of cost, current replacement cost or estimated realizable value. Cost is generally computed on a currently adjusted standard (which approximates current average costs) or average basis except for the cost of certain inventories of metals and metal products, which are computed on the LIFO basis.

For the years 1993, 1992 and 1991, royalty revenue of \$521 million, \$391 million and \$256 million is included in net revenues. Royalty revenue is recognized by the company upon fulfillment of its contractual obligations and determination of a fixed royalty amount, or, in the case of ongoing royalties, upon sale by the licensee of royalty-bearing products, as estimated by the company.

Substantially all depreciation is computed by either the declining-balance method (primarily 150 percent declining method) or the sum-of-the-years-digits method. Fully depreciated assets are written off against accumulated depreciation.

Earnings (loss) per common and common equivalent share are based on average common and common equivalent shares outstanding (93,605,749 shares, 85,310,690 shares and 81,970,372 shares for 1993, 1992 and 1991). Shares issuable upon exercise of dilutive stock options and upon conversion of dilutive conversion preferred stock and convertible debentures are included in average common and common equivalent shares outstanding. In computing per-share earnings, "net income, less dividends accrued on preferred stock" is increased by \$19 million and \$4 million in 1993 and 1992 for dividends and interest (net of tax and profit sharing effect) on the conversion preferred stock and convertible debentures considered dilutive common stock equivalents.

Short-Term Investments

Short-term investments consist primarily of commercial paper, notes and short-term U.S. government securities with original maturities beyond three months stated at cost, which approximates market value. Similar items with original maturities of three months or less are considered cash equivalents.

Inventories

	Millions of Dollars	
	1993	1992
Raw materials and purchased parts	\$ 244	\$ 251
Work in process	557	576
Finished goods	250	197
	-----	-----
Inventories before progress billings	1,051	1,024
Less progress billings	(229)	(290)
	-----	-----
Inventories (net of progress billings)	\$ 822	\$ 734
	=====	=====

Approximately 34% and 43% of the December 31, 1993 and 1992, inventories before progress billings related to long-term contracts.

Revenues under long-term fixed price and fixed-price incentive contracts are recognized as deliveries are made or as performance targets are achieved. Revenues under cost-reimbursement contracts are recorded as costs are incurred and include estimated earned fees.

Inventories related to long-term contracts are stated at actual production costs, including manufacturing overhead and special tooling and engineering costs, reduced by amounts identified with revenues recognized on units delivered or with progress completed. Such inventories are reduced by charging any amounts in excess of estimated realizable value to cost of revenues. The costs attributed to units delivered under long-term contracts are based on the estimated average cost of all units to be produced under existing firm orders and are determined under the learning curve concept, which anticipates a predictable decrease in unit costs as tasks and production techniques become more efficient through repetition. Production costs included in inventories in excess of the estimated cost of in-process inventories (on the basis of estimated average cost of all units to be produced) were not material.

The replacement cost of LIFO inventories exceeded the carrying cost, which was immaterial, by approximately \$29 million at December 31, 1993, and \$30 million at December 31, 1992.

To secure access to additional semiconductor plant capacity, TI entered into three joint ventures formed to construct and operate semiconductor manufacturing capacity. Upon formation of the ventures TI contributed technology and cash to acquire minority interests and entered into long-term inventory purchase commitments with each joint venture. Under the agreements, TI purchases the output of the ventures at prices based upon percentage discounts from TI's average selling prices. Certain venturers have the right to buy a portion of the output from TI. Under certain circumstances, TI may increase its ownership and potentially acquire a majority interest in the ventures. Under the ventures' financing arrangements, the venturers have provided certain debt and other guarantees. At December 31, 1993 and 1992, TI was contingently liable for an aggregate of \$43 million and \$61 million of such guarantees. Inventory purchases from the ventures aggregated \$356 million and \$66 million in 1993 and 1992. Receivables from and payables to the ventures were \$6 million and \$45 million at December 31, 1993, and \$4 million and \$15 million at December 31, 1992. Purchases prior to 1992 were insignificant. TI purchases are expected to increase in 1994.

Property, Plant and Equipment at Cost

		Millions of Dollars	
	Depreciable Lives	1993	1992
Land		\$ 70	\$ 69
Buildings and improvements	5-40 years	1,691	1,695
Machinery and equipment	3-10 years	2,859	2,670
Total		\$4,620	\$4,434

Interest incurred on loans in 1993, 1992 and 1991 was \$55 million, \$57 million and \$59 million. Of these amounts, \$8 million in 1993, \$6 million in 1992 and \$18 million in 1991 were capitalized.

Authorizations for property, plant and equipment expenditures in future years were approximately \$603 million at December 31, 1993, and \$302 million at December 31, 1992.

Accounts Payable and Accrued Expenses

		Millions of Dollars	
		1993	1992
Accounts payable		\$ 543	\$ 459
Advance payments from commercial and defense contract customers		130	152
Accrued salaries, wages, severance and vacation pay		291	273
Other accrued expenses and liabilities		531	576
Total		\$1,495	\$1,460

Long-Term Debt and Lines of Credit

	Millions of Dollars	
	1993	1992
2.75% convertible subordinated debentures due 2002	\$ 200	\$ 200
9.0% notes due 1999	150	150
9.0% notes due 2001	150	150
9.25% notes due 2003	150	150
8.75% notes due 2007	150	150
5.56% to 6.10% Italian lira mortgage notes (53% swapped for 1.60% U.S. dollar obligation)	95	106
Other	10	19
	-----	-----
	905	925
Less current portion long-term debt	211	16
	-----	-----
Long-term debt	\$ 694	\$ 909
	=====	=====

The convertible subordinated debentures may be redeemed at the company's option at specified prices, and may be redeemed at the holder's option at par during a 30-day period beginning in September 1994. The debentures are convertible at the holder's option into an aggregate 2,413,273 shares of TI common stock at a common stock conversion price of \$82.875 per share.

The coupon rates for the notes due 1999, 2001 and 2003 have been swapped for commercial paper-based variable rates through March 1995 for an effective interest rate of approximately 6.4% and 6.5% as of December 31, 1993 and 1992. The 9.0% notes due 1999 may be redeemed at par, at the company's option, beginning in July 1996. The Italian lira mortgage notes, and related swaps, are due in installments through 2003. The mortgage notes are collateralized by real estate and equipment.

Interest paid on loans (net of amounts capitalized as a component of construction costs) was \$54 million in 1993, \$51 million in 1992 and \$33 million in 1991.

Aggregate maturities of long-term debt due during the four years subsequent to December 31, 1994, are as follows:

	Millions of Dollars

1995	\$ 11
1996	13
1997	13
1998	14

At December 31, 1993 and 1992, the fair value of long-term debt, based on current interest rates, was approximately \$998 million and \$965 million, compared with the carrying amount of \$905 million and \$925 million.

Unused lines of credit for short-term financing were approximately \$569 million at December 31, 1993 and \$595 million at December 31, 1992. Of these amounts, \$470 million and \$477 million were available to support commercial paper borrowings.

Notes to Financial Statements

Financial Instruments and Risk Concentration

Financial instruments: In addition to the swaps discussed in the preceding note, the company has forward currency exchange contracts outstanding totaling \$239 million at December 31, 1993 and 1992, to hedge exposure and transactions denominated in European and East Asian currencies. At December 31, 1993 and 1992, the settlement values of these swaps and forward contracts, based on current market rates, were not significant. These financial instruments are designed to minimize exchange rate risks and financing costs in the regular course of business.

The company has an agreement to sell, on a revolving basis, up to \$175 million of an undivided percentage ownership interest in a designated pool of accounts receivable, with limited recourse. Accounts receivable are shown net of \$175 million at December 31, 1993 and 1992, representing receivables sold.

The comparable amount for December 31, 1991 is \$175 million. The related discount expense, which varies with commercial paper rates, is included in other income (expense) net. The agreement expires November 1995 and may be terminated earlier by either party under certain circumstances.

Risk concentration: Financial instruments which potentially subject the company to concentrations of credit risk are primarily cash investments and accounts receivable. The company places its cash investments in investment grade, short-term debt instruments and limits the amount of credit exposure to any one commercial issuer. Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the company's customer base, and their dispersion across different industries and geographic areas. The company maintains an allowance for losses based upon the expected collectibility of all accounts receivable, including receivables sold.

Stockholders' Equity

The company is authorized to issue 10,000,000 shares of preferred stock. The following series of preferred stock have been issued:

Market auction preferred stock: On August 9, 1991, all outstanding shares were exchanged on a one-for-one basis for new market auction preferred stock with a higher maximum dividend rate. In November 1993, all of the remaining \$75 million of these shares were redeemed by the company at their liquidation value of \$100,000 per share. Dividends, which were cumulative, were set every 49 days through auction procedures. The dividend rates (per annum) averaged 3.2%, 5.3% and 6.5% in 1993, 1992 and 1991. Dividends declared per share averaged \$2,564, \$5,239 and \$6,230 in 1993, 1992 and 1991.

Money market preferred stock: The shares outstanding prior to August 9, 1991 were convertible into TI common stock; on August 9, 1991, all such shares were exchanged on a one-for-one basis for new non-convertible money market preferred stock with a higher maximum dividend rate. In October 1993, all of the remaining \$74.6 million of these shares were redeemed by the company at their liquidation value of \$100,000 per share. Dividends, which were cumulative, were set every 49 days through auction procedures. The dividend rates (per annum) averaged 3.4%, 5.4% and 6.6% in 1993, 1992 and 1991. Dividends declared per share averaged \$2,729, \$5,138 and \$6,520 in 1993, 1992 and 1991.

Series A conversion preferred stock: Each Series A conversion preferred share was represented by four depository shares, for a total of 11,114,000 depository shares. The depository shares were redeemable, at the company's option, in exchange for TI common stock having a market value equal to a predetermined call price specified by the date of redemption. In a series of three redemptions of approximately equal numbers of shares, the company redeemed all of its Series A Conversion Preferred Stock and related depository shares during 1993. In exchange for the aggregate 11,114,000 depository shares redeemed, the company issued the following number of shares of TI common stock: 2,412,829 on June 25; 2,025,024 on September 10; and 1,828,665 on September 27.

Each outstanding share of the company's common stock carries a stock purchase right. Under certain circumstances, each right may be exercised to purchase one one-hundredth of a share of the company's participating cumulative preferred stock for \$200. Under certain circumstances following the acquisition of 20% or more of the company's outstanding common stock by an acquiring person (as defined in the rights agreement), each right (other than rights held by an acquiring person) may be exercised to purchase common stock of the company or a successor company with a market value of twice the \$200 exercise price. The rights, which are redeemable by the company at 1 cent per right, expire in June 1998.

Research and Development Expense

	Millions of Dollars		
	1993	1992	1991
Research and development expense	\$ 590	\$ 470	\$ 527

Other Income (Expense) Net

	Millions of Dollars		
	1993	1992	1991
Interest income	\$ 31	\$ 30	\$ 28
Other income (expense) net	(16)	(30)	(42)
Total	\$ 15	\$ --	\$ (14)

Stock Options

The company has stock options outstanding to participants under the Texas Instruments Long-Term Incentive Plan, approved by stockholders on April 15, 1993. Options are also outstanding under the 1974, 1984 and 1988 Stock Option Plans; however, no further options may be granted under these plans. Under all these stockholder-approved plans, the exercise price per share may not be less than 100 percent of the fair market value on the date of the grant. Options granted become exercisable in such amounts, at such intervals and subject to such terms and conditions as determined by the compensation committee of the board of directors.

Under the Long-Term Incentive Plan, the company may grant stock options, including incentive stock options; restricted stock and restricted stock units; performance units; and other stock-based awards, including stock appreciation rights. The plan provides for the issuance of 4,000,000 shares of the company's common stock; in addition, if any option under the 1974, 1984 or 1988 Stock Option Plans terminates, then any unissued shares subject to the terminated option become available for granting awards under the plan. No more than 1,000,000 shares of common stock may be awarded as restricted stock, restricted stock units or other stock-based awards under the plan.

The company also has stock options outstanding under an Employees Stock Option Purchase Plan approved by stockholders in 1988. The plan provides for options to be offered to all eligible employees in amounts based on a percentage of the employee's prior year's compensation. If the optionee authorizes and does not cancel payroll deductions which, with interest, will be equal to or greater than the purchase price, options granted become exercisable 14 months, and expire not more than 27 months, from date of grant.

Stock option transactions during 1993, 1992 and 1991 were as follows:

	Long-Term Incentive and Stock Option Plans	Employees Stock Option Purchase Plan	Option Price Range Per Share
Balance, Dec. 31, 1990	3,792,718	842,893	\$25.34 - \$60.57
Granted	867,500	690,532*	
Terminated	109,315	547,871*	
Exercised**	228,608	151,763	\$25.34 - \$47.63
Balance, Dec. 31, 1991	4,322,295	833,791	\$25.34 - \$60.57
Granted	834,450	591,300*	
Terminated	93,859	404,427*	
Exercised**	255,409	218,441	\$25.34 - \$44.75
Balance, Dec. 31, 1992	4,807,477	802,223	\$30.73 - \$60.57
Granted	860,000	438,803*	
Terminated	159,150	85,734*	
Exercised**	1,056,079	636,986	\$32.82 - \$54.61
Balance, Dec. 31, 1993	4,452,248	518,306	\$30.73 - \$65.69
Exercisable at Dec. 31, 1992	1,787,563	246,686	
Exercisable at Dec. 31, 1993	751,920	106,105	

* Excludes options offered but not accepted.

** Includes previously unissued shares and treasury shares of 1,636,199 and 56,866; 398,288 and 75,562; and 317,814 and 62,557; for 1993, 1992 and 1991.

At year-end 1993, 3,461,225 shares were available for future grants under the Long-Term Incentive Plan and 2,051,062 shares under the Employees Stock Option Purchase Plan approved in 1988. As of year-end 1993, 8,159,647 shares were reserved for issuance under the company's stock option and incentive plans and 2,569,368 shares were reserved for issuance under the Employees Stock Option Purchase Plan approved in 1988.

The company acquires its common stock from time to time for use in connection with exercise of stock options and other stock transactions. Treasury shares acquired in 1993, 1992 and 1991 were 55,525 shares, 77,339 shares and 61,006 shares. Previously unissued common shares issued under the Annual Incentive Plan in 1993, 1992 and 1991 were 103,926 shares, 68,860 shares and 36,389 shares.

Profit Sharing and Retirement Plans

The company provides various incentive plans for employees, including general profit sharing and savings programs as well as an annual incentive plan for key employees. The company also provides pension and retiree health care benefit plans in the U.S. and pension plans in certain non-U.S. locations.

Profit sharing: Profit sharing expense was \$83 million in 1993. There was no profit sharing expense in 1992 or 1991. Under the plans, unless otherwise provided by local law, the company and certain of its subsidiaries contribute a portion

Notes to Financial Statements

of their net profits according to certain formulas, but not to exceed the lesser of 25% of consolidated income (as defined) before profit sharing and income taxes or 15% of the compensation of eligible participants. Unless otherwise provided by local law, such contributions are invested in TI common stock.

Except in the event of company contributions in stock, investments in TI common stock are made by the trustees through purchases of outstanding shares or through purchases of shares offered from time to time by the company. The board of directors has authorized the issuance of previously unissued shares for purposes of the plans; 712,404 of such shares were available for future issuance at December 31, 1993.

The trustees of the profit sharing plans purchased 626,670 outstanding shares of TI common stock in 1993 (105,688 shares in 1992 and 310,256 shares in 1991) and 209,464 previously unissued shares in 1993 (none in 1992 and 1991).

Savings program: The company provides a matched savings program whereby U.S. employees' contributions of up to 4% of their salary are matched by the company at the rate of 50 cents per dollar. Contributions are subject to statutory limitations. The contributions may be invested in several investment funds including TI common stock. The company's expense under this program was \$21 million in 1993, \$20 million in 1992 and \$22 million in 1991.

U.S. pension plan: The company has a defined benefit plan covering most U.S. employees with benefits based on years of service and employee's compensation. The plan is a career-average-pay plan which has been amended periodically in the past to produce approximately the same results as a final-pay type plan. The board of directors of the company has expressed an intent to make such amendments in the future, circumstances permitting, and the expected effects of such amendments have been considered in calculating U.S. pension expense. The company's funding policy is to contribute to the plan at least the minimum amount required by ERISA. Plan assets consist primarily of common stock, U.S. government obligations, commercial paper and real estate.

Pension expense of the U.S. plan includes the following components:

	Millions of Dollars		
	1993	1992	1991
	-----	-----	-----
Service cost - benefits earned during the period	\$ 59	\$ 58	\$ 51
Interest cost on projected benefit obligation	72	70	69
Return on plan assets			
Actual return	(99)	(45)	(167)
Deferral	44	(10)	97
Net amortization	(2)	(5)	(11)
	-----	-----	-----
U.S. pension expense	\$ 74	\$ 68	\$ 39
	=====	=====	=====

The funded status of the U.S. plan was as follows:

	Millions of Dollars	
	1993	1992
	-----	-----
Actuarial present value at Dec. 31 of:		
Vested benefit obligation	\$ (655)	\$ (459)
	=====	=====
Accumulated benefit obligation	\$ (717)	\$ (576)
	=====	=====
Projected benefit obligation	\$(1,026)	\$ (937)

Plan assets at fair value	783	691
Projected benefit obligation in excess of plan assets	(243)	(246)
Unrecognized net asset from initial application of SFAS 87	(90)	(103)
Unrecognized net loss	43	80
Unrecognized prior service cost	46	50
Accrued pension at Dec. 31	(244)	(219)
Less current portion	40	30
Accrued U.S. pension costs	\$ (204)	\$ (189)
	=====	=====

The projected benefit obligations for 1993 and 1992 were determined using assumed discount rates of 7.0% and 8.0% and assumed average long-term pay progression rates of 4.25% and 6.7%. The assumed long-term rate of return on plan assets was 9.0%.

Non-U.S. pension plans: Retirement coverage for non-U.S. employees of the company is provided, to the extent deemed appropriate, through separate plans. Retirement benefits are based on years of service and employee's compensation, generally during a fixed number of years immediately prior to retirement. Funding policies are based on local statutes. Plan assets consist primarily of common stock, government obligations and corporate bonds.

Pension expense of the non-U.S. plans includes the following components:

	Millions of Dollars		
	1993	1992	1991
	-----	-----	-----
Service cost - benefits earned during the period	\$ 44	\$ 38	\$ 31
Interest cost on projected benefit obligations	28	23	18
Return on plan assets			
Actual return	(50)	1	(30)
Deferral	25	(24)	13
Net amortization	8	4	1
Non-U.S. pension expense	\$ 55	\$ 42	\$ 33
	=====	=====	=====

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The funded status of the non-U.S. plans was as follows:

	Millions of Dollars	
	1993	1992
	-----	-----
Actuarial present value at Sept. 30 of:		
Vested benefit obligations	\$ (365)	\$ (307)
Accumulated benefit obligations	\$ (429)	\$ (366)
Projected benefit obligations	\$ (621)	\$ (465)
Plan assets at fair value	342	264
Projected benefit obligations in excess of plan assets	(279)	(201)
Unrecognized net liabilities from initial application of SFAS 87	25	27
Unrecognized net loss	157	87
Unrecognized prior service cost	10	12
Accrued non-U.S. pension at Sept. 30	(87)	(75)
Additional minimum liability	(24)	(47)
Adjustments from Sept. 30 to Dec. 31	2	1
Less prepaid pension costs at Dec. 31	18	19
Accrued pension at Dec. 31	(127)	(140)
Less current portion	7	5
Accrued non-U.S. pension costs	\$ (120)	\$ (135)
	=====	=====

The range of assumptions used for the non-U.S. plans reflects the different economic environments within the various countries. The projected

benefit obligations were determined using a range of assumed discount rates of 4.75% to 9.0% in 1993 and 5.75% to 9.0% in 1992 and a range of assumed average long-term pay progression rates of 4.0% to 7.0% in 1993 and 4.5% to 7.0% in 1992. The range of assumed long-term rates of return on plan assets was 8.0% to 10.0%. Accrued pension at December 31 includes approximately \$79 million in 1993 and 1992 for two non-U.S. plans that are not funded. Pension accounting rules require recognition in the balance sheet of an additional minimum pension liability equal to the excess of the accumulated benefit obligation over the value of the plan assets. A corresponding amount is recognized as an intangible asset, not to exceed the amount of unrecognized prior service cost, with the balance recorded as a reduction of stockholders' equity. As of December 31, 1993 and 1992, the company has recorded an additional non-U.S. minimum pension liability of \$24 million and \$47 million and an equity reduction of \$10 million and \$37 million.

Retiree health care benefit plan: The company's U.S. employees are currently eligible to receive, during retirement, specified company-paid medical benefits. The plan is contributory and premiums are adjusted annually. For employees retiring on or after January 5, 1993, the company has specified a maximum annual amount per retiree, based on years of service, that it will pay toward retiree medical premiums. For employees who retired prior to that date, the company maintains a consistent level of cost sharing between the company and the retiree. The company is pre-funding the plan obligation in amounts determined at the discretion of management. Plan assets consist primarily of common stock, U.S. government obligations, commercial paper, and state and local government obligations.

Effective January 1, 1993, the company adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires the accrual of expected retiree health care benefit costs during the employees' working careers, instead of when the claims are incurred. The company recorded an accumulated postretirement benefit obligation of \$454 million and a related deferred income tax asset of \$160 million, which resulted in a \$294 million charge (\$3.14 per share) for the cumulative effect of the accounting change. Retiree health care benefit expense in 1992 and 1991 was computed on a claims-incurred basis.

Expense of the retiree health care benefit plan includes the following components:

	Millions of Dollars

	1993

Service cost - benefits earned during the period	\$ 6
Interest cost on accumulated postretirement benefit obligation	35
Return on plan assets	
Actual return	(1)
Deferral	1

Retiree health care benefit expense	\$ 41
	=====

The funded status of the plan was as follows:

	Millions of Dollars

	1993

Actuarial present value at Dec. 31 of accumulated postretirement benefit obligation:	
Retirees	\$ (396)
Fully eligible employees	(14)
Other employees	(117)

	(527)

Plan assets at fair value	8

Accumulated postretirement benefit obligation in excess of plan assets	(519)
Unrecognized net loss	63

Accrued at Dec. 31	(456)
Less current portion	41

Accrued retiree health care benefit costs	\$ (415)
	=====

Retiree health care benefit amounts were determined using health care cost trend rates of 11.0% for 1994 decreasing to 6.0% by 1999, and an assumed

Notes to Financial Statements

Increasing the health care cost trend rates by 1% would have increased the accumulated postretirement benefit obligation at December 31, 1993 by \$39 million and 1993 plan expense by \$5 million. A trust holding a portion of the plan assets is subject to federal income taxes at a 39.6% rate. The assumed long-term rate of return on plan assets, after taxes, was 7.3%. Retiree health care benefit expense was \$24 million in 1992 and \$21 million in 1991.

Employment-reduction programs: During 1991, the company implemented special voluntary and involuntary employment-reduction programs and as a result incurred pretax charges of \$130 million in the second quarter, \$55 million in the third quarter and \$45 million in the fourth quarter of that year. The company recognized a \$25 million pretax gain from the settlement of the related pension obligation in the fourth quarter of 1991.

Industry Segment and Geographic Area Operations

The company is engaged in the development, manufacture and sale of a variety of products in the electrical and electronics industry for industrial, government and consumer markets. These products consist of components (semiconductors, such as integrated circuits, discrete devices and subassemblies, and electrical and electronic control devices); defense electronics (such as radar systems, navigation systems, infrared surveillance and fire control systems, defense suppression missiles, missile guidance and control systems, and electronic warfare systems); and digital products (such as software productivity tools, integrated enterprise information solutions, notebook computers, printers, electronic calculators and learning aids, and custom manufacturing services). In fourth quarter 1992, the company sold its commercial multiuser minicomputer systems and service operations. In October 1991, the sale of substantially all the company's industrial automation and control systems business was completed. Both of these operations were part of the digital products segment. The company also produces metallurgical materials (including clad metals, precision-engineered parts and electronic connectors).

The company's business is based principally on its broad semiconductor technology and application of this technology to selected electronic end-equipment markets.

Industry segment and geographic area profit (loss) is not equivalent to income (loss) before provision for income taxes and cumulative effect of accounting changes due to exclusion of general corporate expenses, net interest, currency exchange gains and losses, and other items along with elimination of unrealized profit in assets. Profit sharing expense is allocated to segment results based on payroll costs. Royalty revenue from patent license agreements is included in the U.S. geographic net revenues and (except for royalty revenue from microcomputer system patent license agreements, which is included in the digital products segment) is principally included in the components segment.

Identifiable assets are those associated with segment or geographic area operations, excluding unallocated cash and short-term investments, internal company receivables and deferred income taxes. Generally, revenues between industry segments and between geographic areas are based on prevailing market prices or an approximation thereof.

Industry Segment Net Revenues

	Millions of Dollars		
	1993	1992	1991
Components			
Trade	\$5,091	\$3,982	\$3,421
Intersegment	66	47	49
	5,157	4,029	3,470
Defense Electronics			
Trade	1,842	1,990	1,933
Intersegment	14	14	17
	1,856	2,004	1,950
Digital Products			
Trade	1,454	1,345	1,306
Intersegment	4	5	22
	1,458	1,350	1,328
Metallurgical Materials			
Trade	126	116	121
Intersegment	19	22	22
	145	138	143
Eliminations and other	(93)	(81)	(107)
Total	\$8,523	\$7,440	\$6,784
	=====	=====	=====

Net revenues directly from federal government agencies in the United States, principally related to the defense electronics segment, were \$1,031 million in 1993, \$1,172 million in 1992 and \$1,127 million in 1991.

Industry Segment Profit (Loss)

	Millions of Dollars		
	1993	1992	1991
Components	\$ 689	\$ 340	\$ (188)
Defense Electronics	188	194	111
Digital Products	34	27	(52)
Metallurgical Materials	(4)	3	2
Eliminations and corporate items	(211)	(195)	(177)
Income (loss) before provision for income taxes and cumulative effect of accounting changes	\$ 696	\$ 369	\$ (304)
	=====	=====	=====

Industry Segment Identifiable Assets

	Millions of Dollars		
	1993	1992	1991
Components	\$3,016	\$2,695	\$2,817
Defense Electronics	821	842	946
Digital Products	718	633	562
Metallurgical Materials	68	57	73
Eliminations and corporate items	1,370	958	611
Total	<u>\$5,993</u>	<u>\$5,185</u>	<u>\$5,009</u>

Industry Segment Property, Plant and Equipment

	Millions of Dollars		
	1993	1992	1991
Depreciation			
Components	\$ 462	\$ 457	\$ 426
Defense Electronics	104	110	122
Digital Products	23	24	28
Metallurgical Materials	10	10	10
Eliminations and corporate items	18	9	4
Total	<u>\$ 617</u>	<u>\$ 610</u>	<u>\$ 590</u>

	Millions of Dollars		
	1993	1992	1991
Additions			
Components	\$ 545	\$ 314	\$ 383
Defense Electronics	92	74	67
Digital Products	37	13	24
Metallurgical Materials	16	8	10
Eliminations and corporate items	40	20	20
Total	<u>\$ 730</u>	<u>\$ 429</u>	<u>\$ 504</u>

The following geographic area data includes revenues, costs and expenses generated by and assets employed in operations located in each area:

Geographic Area Net Revenues

Millions of Dollars			
	1993	1992	1991

United States			
Trade	\$5,314	\$4,829	\$4,401
Interarea	449	407	366
	-----	-----	-----
	5,763	5,236	4,767
	-----	-----	-----
Europe			
Trade	1,281	1,249	1,116
Interarea	238	186	102
	-----	-----	-----
	1,519	1,435	1,218
	-----	-----	-----
East Asia			
Trade	1,860	1,307	1,187
Interarea	1,223	1,058	874
	-----	-----	-----
	3,083	2,365	2,061
	-----	-----	-----
Other Areas			
Trade	68	62	80
Interarea	51	32	25
	-----	-----	-----
	119	94	105
	-----	-----	-----
Eliminations	(1,961)	(1,690)	(1,367)
	-----	-----	-----
Total	\$8,523	\$7,440	\$6,784
	=====	=====	=====

Geographic Area Profit (Loss)

Millions of Dollars			
	1993	1992	1991

United States	\$ 743	\$ 581	\$ 99
Europe	33	(24)	(207)
East Asia	63	(28)	(41)
Other Areas	--	(5)	(8)
Eliminations and corporate items	(143)	(155)	(147)
	-----	-----	-----
Income (loss) before provision for income taxes and cumulative effect of accounting changes	\$ 696	\$ 369	\$ (304)
	=====	=====	=====

/TABLE

Geographic Area Identifiable Assets

	Millions of Dollars		
	1993	1992	1991
United States	\$2,589	\$2,378	\$2,340
Europe	897	887	1,012
East Asia	1,310	1,105	1,176
Other Areas	42	40	48
Eliminations and corporate items	1,155	775	433
Total	\$5,993	\$5,185	\$5,009

Income Taxes

Effective January 1, 1993, the company adopted SFAS No. 109, "Accounting for Income Taxes," which requires increased recording of deferred income tax assets. As a result, the company recorded additional deferred income tax assets of \$203 million, after a valuation allowance of \$404 million, and reduced deferred income tax liabilities by \$87 million, which resulted in a \$290 million credit (\$3.10 per share) for the cumulative effect of the accounting change.

Income (Loss) before Provision for Income Taxes and Cumulative Effect of Accounting Changes

	Millions of Dollars			
	Geographic area profit (loss)		Elims. & corp. items	Total
	U.S.	Non-U.S.		
1993	\$ 743	\$ 96	\$ (143)	\$ 696
1992	581	(57)	(155)	369
1991	99	(256)	(147)	(304)

With the exception of interarea elimination of unrealized profit in assets, which increased \$1 million in 1993, decreased \$20 million in 1992, and decreased \$23 million in 1991, the remaining corporate items consist primarily of general corporate expenses which are applicable to both U.S. and non-U.S. operations. These expenses, as well as U.S. research and development costs allocated to non-U.S. operations, are generally deductible for tax purposes in the U.S.

Notes to Financial Statements

Provision (Credit) for Income Taxes

Income tax amounts for 1993 were computed based on SFAS No. 109; amounts for 1992 and 1991 were computed based on the prior accounting standard, SFAS No. 96.

	Millions of Dollars		
	U.S.	Non-U.S.	Total
1993			
Current	\$ 183	\$ 96	\$ 279
Deferred	(42)	(17)	(59)
Total	<u>\$ 141</u>	<u>\$ 79</u>	<u>\$ 220</u>
1992			
Current	\$ 152	\$ 63	\$ 215
Deferred	(97)	4	(93)
Total	<u>\$ 55</u>	<u>\$ 67</u>	<u>\$ 122</u>
1991			
Current	\$ 7	\$ 56	\$ 63
Deferred	40	2	42
Total	<u>\$ 47</u>	<u>\$ 58</u>	<u>\$ 105</u>

Principal reconciling items from income tax computed at the statutory federal rate follow.

	Millions of Dollars		
	1993	1992	1991
Computed tax at statutory rate	\$ 244	\$ 125	\$ (103)
Effect of increase in tax rate on net deferred tax assets	(17)	--	--
Effect of change in valuation allowance	(2)	--	--
Effect of non-U.S. rates	(3)	33	119
Increase (decrease) in unrecognized deferred tax benefits	--	(34)	89
Research and experimentation tax credits	(8)	(2)	--
Other	6	--	--
Total provision for income taxes	<u>\$ 220</u>	<u>\$ 122</u>	<u>\$ 105</u>

/TABLE

Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from such companies are expected to result in additional tax liability. The remaining undistributed earnings (approximately \$525 million at December 31, 1993) have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. Determination of the amount of unrecognized deferred tax liability on these unremitted earnings is not practicable.

The primary components of deferred income tax assets and liabilities at December 31 were as follows:

	Millions of Dollars

	1993

Deferred income tax assets:	
Accrued retirement costs (pension and retiree health care)	\$ 262
Inventories and related reserves	183
Accrued expenses	168
Long-term contracts	63
Non-U.S. loss carryforwards	181
Other	168

	1,025

Less valuation allowance	(350)

	675

Deferred income tax liabilities:	
Property, plant and equipment	(81)
Other	(66)

	(147)

Net deferred income tax asset	\$ 528
	=====

At December 31, 1993, the net deferred income tax asset of \$528 million was presented in the balance sheet, based on tax jurisdiction, as deferred income tax assets of \$568 million and deferred income tax liabilities of \$40 million.

Temporary differences at December 31, 1992 consisted primarily of inventory reserves and other reserves not yet deducted for tax purposes, differences in depreciation rates and long-term contract valuation amounts, and undistributed earnings of non-U.S. subsidiaries.

The company has aggregate non-U.S. tax loss carryforwards of approximately \$425 million. Of this amount, \$395 million expires through the year 2003 and \$30 million has no expiration.

Income taxes paid were \$231 million, \$108 million and \$22 million for 1993, 1992 and 1991.

Rental Expense and Lease Commitments

Rental and lease expense was \$132 million in 1993, \$143 million in 1992 and \$145 million in 1991. The company conducts certain operations in leased facilities and also leases a portion of its data processing and other equipment. The lease agreements frequently include purchase and renewal provisions and require the company to pay taxes, insurance and maintenance costs.

At December 31, 1993, the company was committed under non-cancelable leases with minimum rentals in succeeding years as follows:

Non-cancelable Leases

	Millions of Dollars

1994	\$ 94
1995	84
1996	68
1997	49
1998	42

The Board of Directors
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheet of Texas Instruments Incorporated and subsidiaries (the Company) at December 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Instruments Incorporated and subsidiaries at December 31, 1993 and 1992, and the results of its operations and cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in the "Profit Sharing and Retirement Plans" and "Income Taxes" notes to the financial statements, in 1993 the Company changed its method of accounting for retiree health care benefits and income taxes.

Ernst & Young

Dallas, Texas
January 28, 1994

Summary of Selected Financial Data

Years ended December 31	1993	1992	1991	1990	1989

Millions of Dollars					
Net revenues	\$8,523	\$7,440	\$6,784	\$6,567	\$6,522
Operating costs and expenses	7,795	7,020	7,033	6,593	6,203
Profit (loss) from operations	728	420	(249)	(26)	319
Other income (expense) net.....	15	--	(14)	29	59
Interest on loans	47	51	41	24	23
Income (loss) before provision for income taxes and cumulative effect of accounting changes.....	696	369	(304)	(21)	355
Provision for income taxes	220	122	105	18	63
Income (loss) before cumulative effect of accounting changes	476	247	(409)	(39)	292
Cumulative effect of accounting changes	(4)	--	--	--	--
Net income (loss)	\$ 472	\$ 247	\$ (409)	\$ (39)	\$ 292
	=====	=====	=====	=====	=====

Earnings (loss) per common and common equivalent share:					
Income (loss) before cumulative effect of accounting changes ...	\$ 5.07	\$ 2.50	\$(5.40)	\$ (.92)	\$ 3.04
Cumulative effect of accounting changes	(0.04)	--	--	--	--
Net income (loss)	\$ 5.03	\$ 2.50	\$(5.40)	\$ (.92)	\$ 3.04
	=====	=====	=====	=====	=====
Dividends declared per common share .....	.72	.72	.72	.72	.72

Average common and common equivalent shares outstanding during year, in thousands					
	93,606	85,311	81,970	81,614	84,934

As of December 31	1993	1992	1991	1990	1989

Millions of Dollars					
Working capital	\$1,313	\$ 961	\$ 813	\$ 826	\$1,144
Property, plant and equipment (net)	2,203	2,133	2,354	2,480	2,130
Total assets	5,993	5,185	5,009	5,048	4,804
Long-term debt	694	909	896	715	617
Stockholders' equity	2,315	1,947	1,955	2,358	2,485

Employees	59,048	60,577	62,939	70,318	73,854
Stockholders of record	29,129	31,479	35,162	36,268	36,096

See Notes to Financial Statements and Management Discussion and Analysis of Financial Condition and Results of Operations.

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Supplemental Financial Information

Management Discussion and Analysis of Financial Condition and Results of Operations

The management discussion and analysis of the company's financial condition and results of operations consists of the letter to stockholders set forth on pages 3 through 5 of this report and the following additional information:

1993 Results of Operations Compared with 1992

TI's orders for 1993 were \$8595 million, up 12 percent from \$7645 million in 1992. Significantly higher semiconductor orders in the components segment were the primary contributor to the change.

TI's net revenues for 1993 were \$8523 million, compared with \$7440 million in 1992. Essentially all of the increase was in semiconductor revenues in the components segment, resulting primarily from new products and increased shipments. Royalty revenues for the year were \$521 million, up 33 percent from 1992. The increase was primarily the result of new agreements with personal computer manufacturers covering TI's computer systems patents and higher shipments by licensees under TI's semiconductor patents. Profit from operations was \$728 million in 1993, up 73 percent from \$420 million in 1992. Higher semiconductor operating profits and higher royalties accounted for virtually all of the increase. Results for 1993 include a profit-sharing accrual of \$83 million. There was no accrual for profit sharing in 1992.

The income tax provision for 1993 is for U.S. and non-U.S. taxes, net of a third-quarter increase in deferred tax assets for the effect of the increase in the U.S. statutory rate. TI's income tax rate for the year was 31.6 percent. The fourth-quarter tax rate was 33.9 percent.

TI's orders for the fourth quarter of 1993 were \$2247 million, compared with \$2211 million for the same period in 1992. Higher semiconductor orders in the components segment and a sharp increase in notebook computer orders in the digital products segment offset a decline in defense electronics orders.

Net revenues for the fourth quarter of 1993 were \$2374 million, up 19 percent from the fourth quarter of 1992. Most of the increase was in semiconductor revenues, resulting from new products and, to a lesser extent, increased shipments and higher semiconductor prices. Profit from operations increased 75 percent to \$198 million, from \$113 million in the same period of 1992. The improvement was in the components segment, reflecting improved semiconductor operating results and higher royalties. Semiconductor margins continued their pattern of consistent improvement and were at double-digit levels in the fourth quarter of 1993.

Fourth-quarter 1993 results include an accrual of \$31 million for profit sharing and a pretax charge of \$23 million related to the consolidation of TI's consumer and peripheral products businesses. There were no profit-sharing accruals or consolidation charges in the fourth quarter of 1992. Net income in the fourth quarter of 1993 was \$134 million, and earnings per share were \$1.42, compared with net income of \$78 million and earnings per share of \$0.80 in the fourth quarter of 1992. Royalty revenues in the fourth quarter of 1993 were \$133 million, compared with \$89 million in the same period of 1992. Virtually all of the royalty revenues in the fourth quarter of 1993 were related to licensee shipments during the quarter.

TI's backlog of unfilled orders as of December 31, 1993, was \$3805 million,

up \$72 million from the end of 1992, as increases in semiconductor backlog more than offset a decline in defense electronics. Backlog was down \$126 million from the end of the third quarter of 1993 because of a decline in defense electronics backlog.

TI-funded R&D was \$590 million for 1993 and \$170 million for the fourth quarter, compared with \$470 million and \$121 million for the same periods of 1992. Customer-funded R&D was \$391 million in 1993, compared with \$421 million in 1992.

Capital expenditures were \$730 million in 1993 and \$218 million in the fourth quarter, compared with \$429 million and \$147 million in the same periods of 1992.

Depreciation for 1993 was \$617 million, compared with \$610 million in 1992, and \$167 million in the fourth quarter of 1993, compared with \$156 million in the same period of 1992. Depreciation in 1994 is expected to be about \$700 million.

Components Segment

Orders in the components segment were up 32 percent for the year, and revenues up 28 percent, from 1992. Components segment profit doubled from 1992, with semiconductor operating improvement accounting for virtually all of the increase.

For the fourth quarter of 1993, orders in the components segment were up 30 percent over the same period of 1992, with strong increases in semiconductor orders. Segment revenues were up 33 percent from the same period of a year ago, reflecting higher semiconductor revenues. Segment profit increased substantially over the fourth quarter of 1992 because of improved semiconductor operating performance and higher royalties.

Defense Electronics Segment

In TI's defense electronics segment, 1993 orders were down 26 percent from 1992 because Operation Desert Storm replenishment orders were not repeated in 1993. Revenues were down 7 percent from 1992, primarily because of reduced shipments of the High-Speed Antiradiation Missile. Margins for the year were essentially flat with 1992.

Fourth-quarter 1993 orders in defense electronics were down 48 percent from the fourth quarter of 1992 because of the absence of Desert Storm-related orders. Revenues were down 4 percent from the fourth quarter of 1992. Revenues were up substantially from the third quarter of 1993, reflecting shipments that were delayed from the third quarter and

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the phasing of low-margin programs. Margins remained stable from the fourth quarter of 1992.

Digital Products Segment

Orders in TI's digital products segment were up 11 percent in 1993, and revenues up 8 percent, compared with 1992. Excluding the effect of the 1992 sale of TI's multiuser minicomputer systems and service operations to Hewlett-Packard, 1993 orders were up 25 percent, and revenues up 24 percent, over 1992. The segment operated at a profit for the year 1993, as royalty revenues more than offset operating losses.

For the fourth quarter of 1993, orders in the digital segment were up 26 percent, and revenues were up 15 percent, from the same period of 1992. Before the effect of the \$23 million consolidation charge, the segment was essentially at breakeven in the fourth quarter of 1993, as royalty revenues offset a loss in consumer products.

Metallurgical Materials Segment

In the metallurgical materials segment, orders were up 12 percent, and revenues were up 5 percent, from 1992. The segment operated at a small loss for the year, primarily because of increased investments in new technologies, including solar energy. In the fourth quarter of 1993, orders were up 11 percent, and revenues were up 11 percent, from the same period of 1992. The segment operated at a small loss in the fourth quarter of 1993.

Intellectual Property

During 1993, TI reached new semiconductor patent-license agreements with Hyundai Electronics Industries Co., Ltd. and Nippon Steel Semiconductor Corporation. We also reached computer systems patent-license agreements with personal computer manufacturers including Compaq Computer Corporation, Daewoo Electronics Company, Ltd., Daewoo Telecom Co., Ltd., Dell Computer Corporation, Gateway 2000, Inc., Hyundai, Packard Bell Electronics, Inc., Toshiba Corporation, and Zenith Data Systems.

Litigation in Japan continues with Fujitsu Limited regarding TI's Japanese patent on the invention of the integrated circuit (the Kilby patent). TI is seeking damages and injunctive relief, and Fujitsu is seeking a declaration that Fujitsu products do not infringe the Kilby patent. TI is also in litigation in the United States with other companies concerning its patents relating to semiconductors and computer systems.

Negotiations with additional potential semiconductor and personal-computer licensees are ongoing. These negotiations by their nature are not predictable as to outcome or timing, and results may vary depending on the parties relative patent posture, the use by each party of the other's patents, the sales volume of each party, and other factors. TI continues to earn a significant ongoing stream of royalty revenue.

Financial Condition

TI's financial condition continued to strengthen in 1993. The company made further progress toward management's goal of reducing TI's debt-to-total-capital ratio and generated positive cash flow net of additions to property, plant and equipment.

During 1993, cash and cash equivalents plus short-term investments increased by \$29 million to \$888 million as of December 31, 1993. Cash provided by operating activities net of additions to property, plant and equipment was a positive \$204 million for the year. In addition, the company raised \$77 million of cash through the sale of common stock in conjunction with employee benefit plans. TI's debt-to-total-capital ratio was .28 at the end of the year, down .01 from the third quarter and down .05 from year-end 1992. TI's goal is to reduce this ratio to about .25.

In a series of three redemptions of approximately equal numbers of shares, the company redeemed all of its Series A Conversion Preferred Stock and related depositary shares during 1993. In exchange for the aggregate 11,114,000 depositary shares redeemed, the company issued the following number of shares of TI common stock: 2,412,829 on June 25; 2,025,024 on September 10; and 1,828,665 on September 27. At the end of the third quarter, the company classified as a current liability its \$200 million of 2.75 percent convertible subordinated debentures due 2002, since these debentures may be redeemed at the holder's option, by prior notice, during a 30-day period beginning September 29, 1994. In anticipation of this potential redemption, the company is considering various financing alternatives.

On October 19 and November 2, 1993, the company redeemed its remaining two series of auction-rate preferred stock (liquidation value \$74.6 million and \$75.0 million, respectively) at liquidation value plus accrued and unpaid dividends.

Effective January 1, 1993, the company adopted a new FASB statement, SFAS No. 106, which requires the accrual of expected retiree health care benefit costs during the employees' working careers, instead of when the claims are incurred. The company recorded an accumulated postretirement benefit obligation of \$454 million and a related deferred income tax asset of \$160 million, which resulted in a \$294 million charge (\$3.14 per share) for the cumulative effect of the accounting change. In 1993, pretax expense for this benefit plan was \$41 million. The aggregate pension and retiree health care benefit expense is expected to be somewhat lower in 1994 than in 1993, as the effect of lower interest rates is more than offset by the effect of favorable investment returns, fewer employees and changes in other assumptions. In 1992, pretax expense for retiree health care, on a claims-incurred basis, was \$24 million. The company is partially funding the plan obligation.

Supplemental Financial Information

Also adopted effective January 1, 1993, was SFAS No. 109, which requires increased recording of deferred income tax assets. As a result, the company recorded additional deferred income tax assets of \$203 million, after a valuation allowance of \$404 million, and reduced deferred income tax liabilities by \$87 million, which resulted in a \$290 million credit (\$3.10 per share) for the cumulative effect of the accounting change.

The net effect of the two cumulative accounting change amounts was a \$4 million charge (\$0.04 per share).

At December 31, 1993, the company had deferred income tax assets of \$568 million, after a valuation allowance of \$350 million, and deferred income tax liabilities of \$40 million. The valuation allowance reflects the company's assessment regarding the realizability of certain non-U.S. deferred income tax assets. The balance of the deferred income tax assets is considered realizable based on carryback potential, existing taxable temporary differences, and expectation of future income levels comparable to recent results. Such future income levels are not assured because of the nature of the company's businesses which are generally characterized by rapidly changing technology and intense competition. The company evaluates realizability of the deferred income tax assets quarterly.

The company maintains unused lines of credit to support commercial paper borrowing and to provide additional liquidity. Unused lines of credit were approximately \$569 million at December 31, 1993. Of this amount, \$470 million was available to support commercial paper borrowing.

Authorizations for future capital expenditures were approximately \$603 million at December 31, 1993. In view of greater semiconductor demand, we plan to increase capital expenditures in 1994 to about \$1 billion, from \$730 million in 1993. The funds will be supplied by cash from operations and existing cash balances.

The company believes that its financial condition provides the foundation for continued support of the programs essential to TI's future.

1992 Results of Operations Compared with 1991

TI's orders for 1992 were \$7645 million, up 14 percent from \$6725 million in 1991. Significantly higher semiconductor orders in components were the primary contributor to the change, along with replenishment orders in defense electronics resulting from Operation Desert Storm.

TI's net revenues for 1992 were \$7440 million, compared with \$6784 million in 1991. Increased semiconductor revenues, across all major product lines, were the largest contributor to this change. Profit from operations was \$420 million in 1992, compared with a loss from operations of \$249 million in 1991. Operating results improved in every TI business as a result of cost savings and operating improvements, with the largest gain in semiconductors. For 1991, charges for cost reductions, net of a pension settlement gain in the fourth quarter, were \$240 million.

Net income for 1992 was \$247 million, compared with a net loss of \$409 million in 1991.

The income tax provision for 1992 was for U.S. and non-U.S. taxes, net of an increase in deferred tax assets. For 1991, the provision was primarily for non-U.S. taxes and a decrease in deferred tax assets.

TI's backlog of unfilled orders as of December 31, 1992, was \$3733 million, up \$156 million from the end of 1991, primarily because of increases in semiconductor backlog and replenishment orders in defense electronics.

TI-funded R&D was \$470 million in 1992, compared with \$527 million in 1991. Customer-funded R&D was \$421 million in 1992, compared with \$388 million in 1991.

Capital expenditures were \$429 million in 1992, compared with \$504 million in 1991.

Depreciation for 1992 was \$610 million, compared with \$590 million in 1991.

Components Segment

Orders in the components segment were up 20 percent for the year, and revenues up 16 percent, from 1991. Semiconductor operating results were substantially improved from 1991, as a result of increased shipments, especially in application-specific products; benefits from the cost reductions initiated in 1991; and operating improvements in memory. The 1991 segment results included charges of \$121 million for cost reductions.

Defense Electronics Segment

In TI's defense electronics segment, 1992 orders were up 10 percent, and revenues were up 3 percent, from 1991. Margins in defense electronics were essentially stable in 1992 compared with the previous year, after adjusting for the 1991 cost-reduction charge of \$67 million.

Digital Products Segment

Orders in TI's digital products segment were up 1 percent in 1992, and revenues up 2 percent, compared with 1991. The 1991 results included charges of \$31 million for cost reductions. The segment operated at a profit in 1992.

Metallurgical Materials Segment

In the metallurgical materials segment, orders and revenues in 1992 were both down 4 percent from 1991. Revenues were affected by sluggish world economies and resulting weakness in key markets. Profits in 1992 were restrained by new-venture investments for solar energy.

Intellectual Property

Net revenues for 1992 included royalty revenues of \$391 million, compared with \$256 million in 1991. The increase in 1992 took into consideration new semiconductor patent-license agreements with Mitsubishi Electric Corporation; Sanyo Electric Co., Ltd.; and six other Japanese semiconductor manufacturers.

Inflation

Within the limits of generally accepted accounting principles, the company believes its financial statements tend to reasonably match current levels of costs with revenues of the period, except for depreciation. To the extent

current costs of fixed assets exceed historical costs, depreciation on an inflation-adjusted basis would be greater than historical cost depreciation.

Common Stock Prices and Dividends

TI common stock is listed on the New York Stock Exchange and traded principally in that market. In addition, TI common stock is listed on the London and Tokyo stock exchanges and in Switzerland on the Zurich, Geneva and Basel stock exchanges. The table below shows the high and low prices of TI common stock on the composite tape as reported by The Wall Street Journal and the dividends paid per common share for each quarter during the past two years.

	Quarter			
	1st	2nd	3rd	4th
Stock prices:				
1993 High	\$63.38	\$72.38	\$84.25	\$76.50
Low	45.75	51.63	65.88	55.75
1992 High	40.50	38.88	45.00	52.25
Low	30.00	31.50	35.50	39.00
Dividends paid:				
1993	\$.18	\$.18	\$.18	\$.18
1992 .....	.18	.18	.18	.18

Quarterly Financial Data

1993	Millions of Dollars, Except Per-Share Amounts			
	1st	2nd	3rd	4th
Net revenues	\$1,884	\$2,105	\$2,161	\$2,374
Gross profit	477	548	609	615
Profit from operations	140	173	218	198
Income before provision for income taxes and cumulative effect of accounting changes	129	169	196	202
Income before cumulative effect of accounting changes	85	112	146	134
Net income	81	112	146	134
Earnings per common and common equivalent share:				
Income before cumulative effect of accounting changes	\$.89	\$ 1.18	\$ 1.54	\$ 1.42
Net income .....	.85	1.18	1.54	1.42

1992	Millions of Dollars, Except Per-Share Amounts			
	1st	2nd	3rd	4th
Net revenues	\$1,694	\$1,867	\$1,892	\$1,987
Gross profit	370	449	451	449
Profit from operations	63	128	116	113
Income before provision for income taxes	63	109	88	110
Net income	40	72	57	78
Earnings per common and common equivalent share				
	\$.35	\$.73	\$.58	\$.80

Effective January 1, 1993, the company adopted two new accounting standards: SFAS No. 106, which requires accrual of expected retiree health care benefit costs during the employees' working careers, and SFAS No. 109, which requires increased recording of deferred income tax assets. This resulted in a first quarter charge of \$294 million (\$3.12 per share) for SFAS No. 106 and a credit of \$290 million (\$3.08 per share) for SFAS No. 109, for the cumulative effect of the accounting changes.

Earnings per common and common equivalent share are based on average common and common equivalent shares outstanding (94,154,923 shares and

95,713,491 shares for the fourth quarters of 1993 and 1992) and "net income, less dividends accrued on preferred stock" (\$133 million and \$69 million for the fourth quarters of 1993 and 1992). In computing per-share earnings, "net income, less dividends accrued on preferred stock" is increased by \$1 million and \$7 million for the fourth quarters of 1993 and 1992 for dividends and interest (net of tax and profit sharing effect) on the conversion preferred stock and convertible debentures considered dilutive common stock equivalents.

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TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
LIST OF SUBSIDIARIES OF THE REGISTRANT

The following are current subsidiaries of the Registrant.

Subsidiary and Name Under Which Business is Done	Where Organized
Texas Instruments Deutschland G.m.b.H.	Germany
Texas Instruments Equipamento Electronico (Portugal) Lda.	Portugal
Texas Instruments France S.A.	France
Texas Instruments Holland B.V.	Netherlands
Texas Instruments Hong Kong Limited	Hong Kong
Texas Instruments Italia S.p.A.	Italy
Texas Instruments Japan Limited	Japan
Texas Instruments Limited	United Kingdom
Texas Instruments Malaysia Sdn. Bhd.	Malaysia
Texas Instruments (Philippines) Incorporated	Delaware
Texas Instruments Singapore (Pte) Limited	Singapore
Texas Instruments Taiwan Limited	Taiwan
TI Information Engineering Limited	United Kingdom

Note: The names of other subsidiaries of the Registrant are not listed herein since the additional subsidiaries considered in the aggregate as a single subsidiary do not constitute a significant subsidiary as defined by Rule 1.02(v) of Regulation S-X.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Texas Instruments Incorporated and subsidiaries of our report dated January 28, 1994, included in the 1993 Annual Report to Stockholders of Texas Instruments Incorporated.

Our audits also included the financial statement schedules of Texas Instruments Incorporated listed in Item 14(a). These schedules are the responsibility of the Registrant's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements, and in the related prospectuses thereto, of our report dated January 28, 1994 with respect to the consolidated financial statements and consolidated schedules of Texas Instruments Incorporated, included in or incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1993: Registration Statement No. 33-61154 on Form S-8, Registration Statement No. 33-21407 on Form S-8, Registration Statement No. 33-42172 on Form S-8, Registration Statement No. 33-18509 on Form S-3, and Registration Statement No. 33-48840 on Form S-3.

ERNST & YOUNG

Dallas, Texas
March 18, 1994

