UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(mark one)

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

For the fiscal year ended December 31, 2011

OR

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

for the transition period from _____ to _____

Commission File Number 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.)**
12500 TI Boulevard, P.O. Box 660199, Dallas, Texas	**75266-0199**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: 972-995-3773

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	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes x No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No x

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 ☐

Insert by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes 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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $37,518,854,008 as of June 30, 2011.

1,144,971,512 (Number of shares of common stock outstanding as of January 31, 2012)

Parts I, II and IV hereof incorporate information by reference to the Registrant's 2011 annual report to stockholders. Part III hereof incorporates information by reference to the Registrant's proxy statement for the 2012 annual meeting of stockholders.

PART I

ITEM 1. Business.

Company Overview

At TI, we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 35 countries. We have four segments: Analog, Embedded Processing, Wireless and Other. We expect Analog and Embedded Processing to be our primary growth engines in the years ahead, and we therefore focus our resources on these segments.

We were the world's fourth largest semiconductor company in 2011 as measured by revenue, according to preliminary estimates from an external source. Additionally, we sell calculators and related products.

On September 23, 2011, we completed the acquisition of National Semiconductor Corporation (National). The acquisition has brought to TI a portfolio of thousands of analog products, strong customer design tools and additional manufacturing capacity, and is consistent with our strategy to grow our Analog business. The results of National's operations from the acquisition date are included in our Analog segment under the name Silicon Valley Analog.

Financial information with respect to our segments and our operations outside the United States is contained in the note to the financial statements captioned "Segment and geographic area data" in TI's 2011 annual report to stockholders. It is incorporated herein by reference to such annual report.

Product Information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors come in two basic forms: individual transistors and integrated circuits (generally known as "chips") that combine multiple transistors on a single piece of material to form a complete electronic circuit. Our products, more than 80,000 in number, are integrated circuits that are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. This broad portfolio includes products that are integral to almost all electronic equipment.

We sell custom and catalog semiconductor products. Custom products are designed for a specific customer for a specific application, are sold only to that customer and are typically sold directly to the customer. The life cycles of custom products are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months. Catalog products are designed for use by many customers and/or many applications and are generally sold through both distribution and direct channels. They include both proprietary and commodity products. The life cycles of catalog products are generally longer than for custom products.

Additional information regarding each segment's products follows.

Analog

Analog semiconductors change real-world signals — such as sound, temperature, pressure or images — by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales to our Analog segment's more than 90,000 customers generated about 47 percent of our revenue in 2011. According to external sources, the worldwide market for analog semiconductors was about $43 billion in 2011. Our Analog segment's revenue in 2011 was about $6.5 billion, or about 15 percent of this fragmented market, the leading position. We believe that we are well positioned to increase our market share over time.

Our Analog segment includes the following major product lines: High Volume Analog & Logic (HVAL), Power Management (Power), High Performance Analog (HPA) and Silicon Valley Analog (SVA).

HVAL products: These include both high-volume analog products and logic and standard linear products. High-volume analog includes products for specific applications, including custom products. The life cycles of our high-volume analog products are generally shorter than most of our other Analog product lines. End markets for high-volume analog products include communications, automotive, computing and many consumer electronics products. Logic and standard linear

includes commodity products marketed to many different customers for many different applications.

Power products: These include both catalog and custom semiconductors that help customers manage power in any type of electronic system. We design and manufacture power management semiconductors for both portable devices (battery-powered devices, such as handheld consumer electronics, laptop computers and cordless power tools) and line-powered systems (products that require an external electrical source, such as computers, digital TVs, wireless basestations and high-voltage industrial equipment).

HPA products: These include catalog analog semiconductors, such as amplifiers, data converters and interface semiconductors, that we market to many different customers who use them in manufacturing a wide range of products sold in many end markets, including the industrial, communications, computing and consumer electronics markets. HPA products generally have long life cycles, often more than 10 years.

SVA products: These include catalog analog products, particularly in the areas of power management, data converters, interface and operational amplifiers, nearly all of which are complementary to our other Analog products. This portfolio of thousands of products is marketed to many different customers who use them in manufacturing a wide range of products sold in many end markets. Many SVA products have long life cycles, often more than 10 years.

Embedded Processing

Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products generated about 15 percent of our revenue in 2011. According to external sources, the worldwide market for embedded processors was about $18 billion in 2011. Our Embedded Processing segment's revenue in 2011 was about $2.0 billion, or about 12 percent of this fragmented market. We believe we are well positioned to increase our market share over time.

An important characteristic of our Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because customers prefer to re-use software from one product generation to the next. We make and sell catalog Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless

Growth in the wireless market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and to enable the expanding functionality that has made smartphones and tablets the fastest growing wireless market segments. Many wireless devices also use other semiconductors to enable wireless connectivity using technologies such as Bluetooth®, WiFi networks, GPS and Near Field Communications (NFC).

We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes. Our Wireless portfolio includes both catalog products and custom products. Sales of Wireless products generated about $2.5 billion, or about 18 percent of our revenue, in 2011, with a majority of those sales to a single customer.

Our Wireless investments are concentrated on our OMAP™ applications processors and our connectivity products, areas we believe offer significant growth opportunities and which will enable us to take advantage of the increasing demand for more powerful and more functional wireless devices. We no longer invest in development of baseband products (products that allow a cell phone to connect to the cellular network), an area we believe offers far less promising growth prospects. Almost all of our baseband products are sold to a single customer. We expect substantially all of our baseband revenue, which was $1.1 billion in 2011, to cease by the end of 2012.

Other

Our Other segment includes revenue from our smaller semiconductor product lines and from sales of our handheld graphing and scientific calculators. It also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements that we may enter into in connection with acquisitions and divestitures. The semiconductor products in our Other segment include DLP® products (primarily used in

projectors to create high-definition images) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment generated about $2.5 billion, or about 20 percent of our revenue, in 2011.

Applications for Our Products

The table below lists the major end markets that used our products in 2011 and the approximate percentage of our 2011 product revenue that the market represented. The chart also lists the most frequent applications and our products used within these key markets.

End Market	Applications	TI Products
Communications (40% of product revenue)	Phones and infrastructure equipment Mobile connectivity solutions (including wireless LAN, global positioning systems, Bluetooth®, NFC) Video conferencing	Analog, Embedded Processing, Wireless, Other
Computing (23% of product revenue)	Printers Hard disk drives Monitors and projectors Notebooks, netbooks, desktop computers and servers Tablet computers	Analog, Embedded Processing, Wireless, Other
Industrial (14% of product revenue)	Digital power controls: Switch mode power supplies Uninterruptible power supplies Motor controls: Heating/ventilation/air conditioning Industrial control motor drives Power tools Copiers Security: Biometrics (fingerprint identification and authentication) Intelligent sensing (smoke and glass-breakage detection) Video analytics (surveillance) Smart metering Test and measurement Point of service/portable data terminals Medical diagnostic and monitoring equipment LED lighting Factory automation	Analog, Embedded Processing, Other
Consumer Electronics (11% of product revenue)	Digital cameras, gaming and audio/visual equipment Portable and car audio Home appliances Personal navigation devices eBook readers	Analog, Embedded Processing, Wireless, Other
Automotive (8% of product revenue)	Body systems Chassis systems Driver information/telemetrics Entertainment Powertrain Safety systems Security systems	Analog, Embedded Processing, Other
Education (4% of product revenue)	Handheld graphing and scientific calculators and peripheral hardware Educational software	Other

Market Characteristics

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing processes. Semiconductor prices and manufacturing costs tend to decline over time as manufacturing processes and product life cycles mature. Typically, new chips are produced in limited quantities at first and then ramp to high-volume production over time.

Market cycle

The “semiconductor cycle” is an important concept that refers to the ebb and flow of supply. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. This cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Our semiconductor sales generally are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and other consumer electronics devices, which have stronger sales later in the year as manufacturers prepare for the major holiday selling seasons. Calculator revenue is tied to the U.S. back-to-school season and is therefore at its highest in the second and third quarters.

Competitive landscape

In each segment, we face significant global competition from numerous large and small companies, including both broad-based suppliers and niche suppliers. Our competitors also include emerging companies, particularly in Asia, that sell products into the same markets in which we operate. We believe that competitive performance in the semiconductor market generally depends on several factors, including the breadth of a company’s product line, the strength and depth of the sales network, technological innovation, technical support, customer service, quality, reliability, price and scale.

The primary competitive factors for our Analog products include design proficiency, a diverse product portfolio to meet wide-ranging customer needs, manufacturing process technologies that provide differentiated levels of performance, applications and sales support, and manufacturing expertise and capacity. Our primary Analog competitors include Analog Devices, Inc.; Fairchild Semiconductor Corporation; Freescale Semiconductor, Inc.; Infineon Technologies AG; Intersil Corporation; Linear Technology Corporation; Maxim Integrated Products, Inc.; NXP Semiconductors N.V.; Richtek Technology Corporation; and STMicroelectronics NV.

The primary competitive factors for our Embedded Processing products are the ability to design and cost-effectively manufacture products, system-level knowledge about targeted end markets, installed base of software, software expertise, applications and sales support, and a product’s performance and power characteristics. Primary competitors of our Embedded Processing segment include Atmel Corporation; Freescale Semiconductor, Inc.; Microchip Technology, Inc.; NXP Semiconductors N.V.; Renesas Electronics Corporation; and STMicroelectronics NV.

The primary competitive factors for our Wireless products are the ability to design and cost-effectively manufacture products, system-level knowledge about targeted end markets, software expertise, applications support and a product’s performance and power characteristics. Primary Wireless competitors include Broadcom Corp.; CSR plc; Intel Corporation; Marvell Technology Group, Ltd.; NVIDIA Corporation; QUALCOMM Incorporated; Renesas Electronics Corporation; Samsung LSI; and ST-Ericsson.

Manufacturing

Semiconductor manufacturing begins with a sequence of photo-lithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is tested and the wafer is cut into pieces called chips. Each chip is assembled into a package that then is usually retested. The entire process typically requires between 12 and 18 weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing facilities in North America, Asia and Europe. These include both

high-volume wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of capacity, potentially hurting our profit margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by product. Our Analog products and most of our Embedded Processing products can be manufactured using older, less expensive equipment than is needed for manufacturing advanced logic products, such as our Wireless products. Advanced logic wafer manufacturing continually requires new and expensive processes and equipment. In contrast, the processes and equipment required for manufacturing our Analog products and most of our Embedded Processing products do not have this requirement.

To supplement our internal wafer fabrication capacity and maximize our responsiveness to customer demand and return on capital, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. We source about 25 percent of our wafers from external foundries, with the vast majority of this outsourcing being for advanced logic wafers. In 2011, external foundries provided about 75 percent of the fabricated wafers for our advanced logic manufacturing needs. We expect the proportion of our advanced logic wafers provided by foundries will increase over time. We expect to maintain sufficient internal wafer fabrication capacity to meet the vast majority of our analog production needs.

In addition to using foundries to supplement our wafer fabrication capacity, we selectively use subcontractors to supplement our assembly/test capacity. We generally use subcontractors for assembly/test of products that would be less cost-efficient to complete in-house (e.g., relatively low-volume products that are unlikely to keep internal equipment fully utilized), or when demand temporarily exceeds our internal capacity. We believe we often have a cost advantage from maintaining internal assembly/test capacity.

Our internal/external manufacturing strategy reduces the level of our required capital expenditures, and thereby reduces our subsequent levels of depreciation below what it would be if we sourced all manufacturing internally. Consequently, we experience less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. Because of the longer product life cycles of catalog products and their inherently lower risk of obsolescence, we generally carry more of those products than custom products. Additionally, we sometimes maintain
catalog-product inventory in unfinished wafer form, as well as higher finished goods inventory of low-volume products, allowing greater flexibility in periods of high demand. We also have consignment inventory programs in place for our largest customers and some distributors.

Design Centers

Our design centers provide design, engineering and product application support as well as after-sales customer service. The design centers are strategically located around the world to take advantage of key technical and engineering talent and proximity to key customers.

Customers

Our products are sold to original equipment manufacturers (OEMs), original design manufacturers (ODMs), contract manufacturers and distributors. (An OEM designs and sells products under its own brand that it manufactures in-house or has manufactured by others. An ODM designs and manufactures products for other companies, which then sell those products under their own brand.) Our largest single customer in 2011 was an OEM, the Nokia group of companies. Sales to Nokia were about 13 percent of our revenue in 2011; about two-thirds of the Nokia-related revenue was from baseband products.

Sales and Distribution

We market and sell our semiconductor products through a direct sales force, distributors and authorized third-party sales representatives. We have sales or marketing offices in 35 countries worldwide and have expanded our sales networks in the emerging markets of China, India and Eastern Europe over the last few years. Distributors located around the world account for about 40 percent of our revenue. Our distributors maintain an inventory of our products and sell directly to a wide range of

customers. They also sell products from our competitors. Our distribution network holds a mix of distributor-owned and TI-consigned inventory. Over time, we expect this mix will shift more toward consignment. We sell our calculator products primarily through retailers and instructional dealers.

Acquisitions, Divestitures and Investments

From time to time we consider acquisitions and divestitures that may strengthen or better focus our business portfolio. We also make investments directly or indirectly in private companies. Investments are focused primarily on next-generation technologies and markets strategic to us.

As discussed above, on September 23, 2011, we completed the acquisition of National Semiconductor for approximately $6.5 billion. We funded the acquisition with a combination of available cash and the proceeds of debt issuances, including $3.5 billion of debt securities issued in the second quarter of 2011.

Backlog

We define backlog as of a particular date as firm purchase orders with a customer-requested delivery date within a specified length of time. As customer requirements and industry conditions change, orders may be, under certain circumstances, subject to cancellation or modification of terms such as pricing, quantity or delivery date. Customer order placement practices continually evolve based on customers' individual business needs and capabilities, as well as industry supply and capacity considerations. Accordingly, our backlog at any particular date may not be indicative of revenue for any future period. Our backlog of orders was $1.39 billion at December 31, 2011, and $1.75 billion at December 31, 2010.

Raw Materials

We purchase materials, parts and supplies from a number of suppliers. In some cases we purchase such items from sole source suppliers. The materials, parts and supplies essential to our business are generally available at present, and we believe that such materials, parts and supplies will be available in the foreseeable future.

Intellectual Property

We own many patents, and have many patent applications pending, in the United States and other countries in fields relating to our business. We have developed a strong, broad-based patent portfolio and continually add patents to that portfolio. We also have agreements with numerous companies involving license rights and anticipate that other license agreements may be negotiated in the future. In general, our license agreements have multi-year terms and may be renewed after renegotiation.

Our semiconductor patent portfolio is an ongoing contributor to our revenue. We do not consider our business materially dependent upon any one patent or patent license, although taken as a whole, our rights and the products made and sold under patents and patent licenses are important to our business.

We often participate in industry initiatives to set technical standards. Our competitors may also participate in the same initiatives. Participation in these initiatives may require us to license our patents to other companies.

We own trademarks that are used in the conduct of our business. These trademarks are valuable assets, the most important of which are "Texas Instruments" and our corporate monogram. Other valuable trademarks include OMAP™ and DLP®.

Research and Development

Our primary areas of R&D investment are Analog, Embedded Processing and Wireless products. We conduct most of our R&D internally. However, we also closely engage with a wide range of third parties, including software suppliers, universities and select external industry consortia, and we collaborate with our foundry suppliers on semiconductor manufacturing technology.

From time to time we may terminate R&D projects before completion or decide not to manufacture and sell a developed product. We do not expect that all of our R&D projects will result in products that are ultimately released for sale, or that our projects will contribute significant revenue until at least a few years following completion.

Our R&D expense was $1.72 billion in 2011, compared with $1.57 billion in 2010 and $1.48 billion in 2009.

Executive Officers of the Registrant

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

Name	Age	Position
Stephen A. Anderson	50	Senior Vice President
Brian T. Crutcher	39	Senior Vice President
R. Gregory Delagi	49	Senior Vice President
David K. Heacock	51	Senior Vice President
Joseph F. Hubach	54	Senior Vice President, Secretary and General Counsel
Sami Kiriaki	51	Senior Vice President
Melendy E. Lovett	53	Senior Vice President (President, Education Technology)
Gregg A. Lowe	49	Senior Vice President
Kevin P. March	54	Senior Vice President and Chief Financial Officer
Robert K. Novak	46	Senior Vice President
Kevin J. Ritchie	55	Senior Vice President
John J. Szczsponik, Jr.	51	Senior Vice President
Richard K. Templeton	53	Director; Chairman of the Board; President and Chief Executive Officer
Teresa L. West	51	Senior Vice President
Darla H. Whitaker	46	Senior Vice President

The term of office of the above-listed officers is from the date of their election until their successor shall have been elected and qualified. All executive officers of the company have been employees of the company for more than five years. Mses. Lovett, West and Whitaker and Messrs. Delagi, Hubach, Lowe, March, Ritchie and Templeton have served as executive officers of the company for more than five years. Mr. Heacock became an executive officer of the company in 2007. Messrs. Anderson and Novak became executive officers of the company in 2008. Mr. Szczsponik became an executive officer of the company in 2009. Messrs. Crutcher and Kiriaki became executive officers of the company in 2010.

Employees

At December 31, 2011, we had 34,759 employees.

Available Information

Our Internet address is www.ti.com. Information on our web site is not a part of this report. We make available, free of charge, through our investor relations web site our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. Also available through the TI investor relations web site are reports filed by our directors and executive officers on Forms 3, 4 and 5, and amendments to those reports.

Available on our web site at www.ti.com/corporategovernance are: (i) our Corporate Governance Guidelines; (ii) charters for the Audit, Compensation, and Governance and Stockholder Relations Committees of our board of directors; (iii) our Code of Business Conduct; and (iv) our Code of Ethics for TI Chief Executive Officer and Senior Financial Officers. Stockholders may request copies of these documents free of charge by writing to Texas Instruments Incorporated, P.O. Box 660199, MS 8657, Dallas, Texas, 75266-0199, Attention: Investor Relations.

ITEM 1A. Risk Factors.

You should read the following Risk Factors in conjunction with the factors discussed elsewhere in this and other of our filings with the Securities and Exchange Commission (SEC) and in materials incorporated by reference in these filings. These Risk Factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that apply to companies like TI with broad international operations. Like other companies, we are susceptible to macroeconomic downturns in the United States or abroad that may affect the general economic climate and our performance and the performance of our customers. Similarly, the price of our securities is subject to volatility due to fluctuations in general market conditions, actual financial results that do not meet our and/or the investment

community's expectations, changes in our and/or the investment community's expectations for our future results and other factors, many of which are beyond our control.

Cyclicality in the Semiconductor Market May Affect Our Performance.

Semiconductor products are the principal source of our revenue. The semiconductor market historically has been cyclical and subject to significant and often rapid increases and decreases in product demand. These changes could have adverse effects on our results of operations, and on the market price of our securities. The results of our operations may be adversely affected in the future if demand for our semiconductors decreases or if this market or key end-equipment markets grow at a significantly slower pace than management expects.

Our Margins May Vary over Time.

Our profit margins may be adversely affected in the future by a number of factors, including decreases in our shipment volume, reductions in, or obsolescence of our inventory and shifts in our product mix. In addition, the highly competitive market environment in which we operate might adversely affect pricing for our products. Because we own much of our manufacturing capacity, a significant portion of our operating costs is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of manufacturing capacity, and can adversely affect profit margins as a result.

The Technology Industry Is Characterized by Rapid Technological Change That Requires Us to Develop New Technologies and Products.

Our results of operations depend in part upon our ability to successfully develop, manufacture and market innovative products in a rapidly changing technological environment. We require significant capital to develop new technologies and products to meet changing customer demands that, in turn, may result in shortened product life cycles. Moreover, expenditures for technology and product development are generally made before the commercial viability for such developments can be assured. As a result, there can be no assurance that we will successfully develop and market these new products. There also is no assurance that the products we do develop and market will be well received by customers, nor that we will realize a return on the capital expended to develop such products.

We Face Substantial Competition That Requires Us to Respond Rapidly to Product Development and Pricing Pressures.

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from smaller competitors serving niche markets, and also from emerging companies, particularly in Asia, that sell products into the same markets in which we operate. Certain of our competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

Our Performance Depends in Part on Our Ability to Enforce Our Intellectual Property Rights and to Develop and License New Intellectual Property.

Access to worldwide markets depends in part on the continued strength of our intellectual property portfolio. There can be no assurance that, as our business expands into new areas, we will be able to independently develop the technology, software or know-how necessary to conduct our business or that we can do so without infringing the intellectual property rights of others. To the extent that we have to rely on licensed technology from others, there can be no assurance that we will be able to obtain licenses at all or on terms we consider reasonable. The lack of a necessary license could expose us to claims for damages
and/or injunction from third parties, as well as claims for indemnification by our customers in instances where we have a contractual or other legal obligation to indemnify them against damages resulting from infringement claims.

With regard to our own intellectual property, we actively enforce and protect our rights. However, there can be no assurance that our efforts will be adequate to prevent the misappropriation or improper use of our protected technology.

We benefit from royalty revenue generated from various patent license agreements. The amount of such revenue depends in part on negotiations with new licensees, and with existing licensees in connection with renewals of their licenses. There is no guarantee that such negotiations will be successful. Future royalty revenue also depends on the strength and enforceability of our patent portfolio and our enforcement efforts, and on the sales and financial stability of our licensees. Additionally,

consolidation of our licensees may negatively affect our royalty revenue. Royalty revenue from licensees is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreements.

A Decline in Demand in Certain End-User Markets Could Have a Material Adverse Effect on the Demand for Our Products and Results of Operations.

Our customer base includes companies in a wide range of end-user markets, but we generate a significant amount of revenue from sales to customers in the communications- and computer-related industries and from sales to industrial customers. Within these end-user markets, a large portion of our revenue is generated from sales to customers in the cell phone, personal computer and communications infrastructure markets. Decline in one or several of these end-user markets could have a material adverse effect on the demand for our products and our results of operations and financial condition.

Our Global Manufacturing, Design and Sales Activities Subject Us to Risks Associated with Legal, Political, Economic or Other Changes.

We have facilities in more than 35 countries worldwide, and about 90 percent of our revenue comes from sales to locations outside the United States. Operating internationally exposes us to changes in export controls and other laws or policies, as well as political and economic conditions, security risks, health conditions and possible disruptions in transportation networks of the various countries in which we operate. Any of these could result in an adverse effect on our business operations and our financial results. Additionally, in periods when the U.S. dollar significantly fluctuates in relation to the non-U.S. currencies in which we transact business, the remeasurement of non-U.S. dollar transactions can have an adverse effect on our results of operations and financial condition.

Our Results of Operations Could be Affected by Natural Events in the Locations in Which We or Our Customers or Suppliers Operate.

We have manufacturing and other operations in locations subject to natural occurrences such as severe weather and geological events that could disrupt operations. In addition, our suppliers and customers also have operations in such locations. A natural disaster that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, may adversely affect our results and financial condition.

The Loss of or Significant Curtailment of Purchases by Any of Our Largest Customers Could Adversely Affect Our Results of Operations.

While we generate revenue from thousands of customers worldwide, the loss of or significant curtailment of purchases by one or more of our top customers (including curtailments due to a change in the design or manufacturing sourcing policies or practices of these customers, or the timing of customer or distributor inventory adjustments) may adversely affect our results of operations and financial condition.

Incorrect Forecasts of Customer Demand Could Adversely Affect Our Results of Operations.

Our ability to match inventory and production with the product mix needed to fill orders may affect our ability to meet a quarter’s revenue forecast. In addition, when responding to customers’ requests for shorter shipment lead times, we manufacture products based on forecasts of customers’ demands. These forecasts are based on multiple assumptions. If we inaccurately forecast customer demand, we may hold inadequate, excess or obsolete inventory that would reduce our profit margins and adversely affect our results of operations and financial condition.

Our Performance Depends on the Availability and Cost of Raw Materials, Utilities, Critical Manufacturing Equipment, Manufacturing Processes and Third-Party Manufacturing Services.

Our manufacturing processes and critical manufacturing equipment require that certain key raw materials and utilities be available. Limited or delayed access to and high costs of these items could adversely affect our results of operations. Additionally, the inability to timely implement new manufacturing technologies or install manufacturing equipment could adversely affect our results of operations. We subcontract a portion of our wafer fabrication and assembly and testing of our integrated circuits. We also depend on third parties to provide advanced logic manufacturing process technology development. A limited number of third parties perform these functions, and we do not have long-term contracts with all of them. Reliance on these third parties involves risks, including possible shortages of capacity in periods of high demand, the third parties’ inability to develop and deliver advanced logic manufacturing process technology in a timely, cost effective and appropriate

manner and the possibility of third parties imposing increased costs on us.

Our Results of Operations Could be Affected by Changes in Tax-Related Matters.

We have facilities in more than 35 countries worldwide and as a result are subject to taxation and audit by a number of taxing authorities. Tax rates vary among the jurisdictions in which we operate. Our results of operations could be affected by market opportunities or decisions we make that cause us to increase or decrease operations in one or more countries, or by changes in applicable tax rates or audits by the taxing authorities in countries in which we operate.

In addition, we are subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when it is subject to taxation in that jurisdiction. Changes in these laws and regulations could affect the locations where we are deemed to earn income, which could in turn affect our results of operations. We have deferred tax assets on our balance sheet. Changes in applicable tax laws and regulations or in our business performance could affect our ability to realize those deferred tax assets, which could also affect our results of operations. Each quarter we forecast our tax liability based on our forecast of our performance for the year. If that performance forecast changes, our forecasted tax liability will change.

Our Operations Could be Affected by Changes in Environmental, Safety and Health Laws and Regulations.

We are subject to environmental, safety and health laws and regulations in the jurisdictions in which we operate our business, particularly those in which we manufacture our products. If we fail to comply with these laws and regulations, we could be subject to fines, penalties or other legal liability. Furthermore, should these laws and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business, particularly if such laws and regulations: require the use of abatement equipment beyond what we currently employ; require the addition or elimination of a raw material or process to or from our current manufacturing processes; or impose costs, fees or reporting requirements on the direct or indirect use of energy, or of materials or gases used or emitted into the environment, in connection with the manufacture of our products. There can be no assurance that in all instances a substitute for a prohibited raw material or process would be available, or be available at reasonable cost.

Our Results of Operations Could be Affected by Changes in the Financial Markets.

We maintain bank accounts, one or more multi-year revolving credit agreements, and a portfolio of investments to support the financing needs of the company. Our ability to fund our daily operations, invest in our business, make strategic acquisitions and service our debt obligations requires continuous access to our bank and investment accounts, as well as access to our bank credit lines that support commercial paper borrowings and provide additional liquidity through short-term bank loans. If we are unable to access these accounts and credit lines (for example, due to instability in the financial markets), our results of operations and financial condition could be adversely affected. Similarly, such circumstances could also restrict our ability to access the capital markets or redeem our investments. If our customers or suppliers are unable to access credit markets and other sources of needed liquidity, we may receive fewer customer orders or be unable to obtain needed supplies, collect accounts receivable or access needed technology.

Material Impairments of Our Goodwill or Intangible Assets Could Adversely Affect Our Results of Operations.

Charges associated with impairments of our goodwill or intangible assets could adversely affect our financial condition and results of operations. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise or upon the disposition of a significant portion of a reporting unit. The review compares the fair value for each reporting unit to its associated book value including goodwill. A decrease in the fair value associated with a reporting unit resulting from, among other things, unfavorable changes in the estimated future discounted cash flow of the reporting unit, may require us to recognize impairments of goodwill. Most of our intangible assets are amortized over their estimated useful lives, but they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the future undiscounted cash flows expected to result from the use of the intangible asset and its eventual disposition is less than the carrying amount of the asset, we would recognize an impairment loss to the extent the carrying amount of the asset exceeds its fair value.

Our Results of Operations Could be Affected by Warranty Claims, Product Recalls or Product Liability.

We could be subject to warranty or product liability claims or claims based on epidemic or delivery failures that could lead to significant expenses as we defend such claims or pay damage awards. The risk of a significant claim is generally greater for products used in health and safety applications. In the event of a warranty claim, we may also incur costs if we decide to compensate the affected customer or end consumer. We maintain product liability insurance, but there is no guarantee that such

insurance will be available or adequate to protect against all such claims. In addition, it is possible for one of our customers to recall a product containing a TI part. In such instances, we may incur costs and expenses relating to the recall. Costs or payments we may make in connection with warranty, epidemic failure and delivery claims or product recalls may adversely affect our results of operations and financial condition.

Our Continued Success Depends in Part on Our Ability to Retain and Recruit a Sufficient Number of Qualified Employees in a Competitive Environment.

Our continued success depends in part on the retention and recruitment of skilled personnel, including technical, marketing, management and staff personnel. There can be no assurance that we will be able to successfully retain and recruit the key personnel that we require.

Our Debt Could Affect Our Operations and Financial Condition.

From time to time, we issue debt securities with various interest rates and maturities. While we believe we will have the ability to service this debt, our ability to make principal and interest payments when due depends upon our future performance, which will be subject to general economic conditions, industry cycles, and business and other factors affecting our operations, including the other risk factors described under Item 1A, many of which are beyond our control. In addition, our obligation to make principal and interest payments could divert funds that otherwise would be invested in our operations, or cause us to raise funds through such means as the issuance of new debt or equity, or the disposition of assets.

Our Ability to Successfully Integrate Acquisitions Could Affect Our Business Plans and Results of Operations.

In September 2011, we acquired National Semiconductor Corporation. Such a transaction can involve significant integration challenges and there can be no assurance that pre-acquisition due diligence will have identified all possible issues and risks that might arise with respect to the acquisition. If we are unable to timely and successfully integrate the acquired operations, product lines and technology, we may not be able to realize the expected benefits of the acquisition, which could adversely affect our business plans and operating results.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas. The following table indicates the general location of our principal manufacturing and design operations and the reportable segments that make major use of them. Except as otherwise indicated, we own these facilities.

	Analog	Embedded Processing	Wireless
Dallas, Texas	X	X	X
Sherman, Texas	X		
Houston, Texas[3]	X	X	
Tucson, Arizona[2]	X		
Santa Clara, California	X		
South Portland, Maine	X		
Aguascalientes, Mexico[1]	X		
Aizu, Japan	X	X	
Miho, Japan	X	X	X
Hiji, Japan[2][3]	X	X	X
Tokyo, Japan[1]	X	X	X
Chengdu, China[2]	X		
Shanghai, China[1]	X	X	X
Bangalore, India[2]	X	X	X
Kuala Lumpur, Malaysia[2]	X	X	
Melaka, Malaysia[2]	X		
Baguio, Philippines[2]	X	X	X
Pampanga (Clark), Philippines[2]	X	X	X
Taipei, Taiwan[2]	X	X	X
Freising, Germany	X	X	X
Nice, France[2]	X		X
Greenock, Scotland[2]	X		

(1) Leased.

(2) Portions of the facilities are leased and owned. This may include land leases, particularly for our non-U.S. sites.

(3) On January 23, 2012, TI announced that the Houston, Texas, and Hiji, Japan, manufacturing facilities would be closed over the next 18 months.

Our facilities in the United States contained approximately 16.5 million square feet at December 31, 2011, of which approximately 0.9 million square feet were leased. Our facilities outside the United States contained approximately 10.9 million square feet at December 31, 2011, of which approximately 2.1 million square feet were leased.

At the end of 2011, we occupied substantially all of the space in our facilities.

Leases covering our currently occupied leased facilities expire at varying dates generally within the next 5 years. We believe our current properties are suitable and adequate for both their intended purpose and our current and foreseeable future needs.

ITEM 3. Legal Proceedings.

We are involved in various inquiries and proceedings regarding laws and regulations related to the protection of the environment. These matters involve various parties, including government agencies and, in certain cases, other potentially responsible parties. Although the factual situations and the progress of each of these matters differ, we believe that the amount of our liability, if any, will not have a material adverse effect upon our financial condition, results of operations or liquidity.

The Internal Revenue Code requires that companies disclose in their Form 10-K whether they have been required to pay penalties to the Internal Revenue Service for certain transactions that have been identified by the IRS as abusive or that have a significant tax avoidance purpose. We have not been required to pay any such penalties.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The information contained under the caption "Common stock prices and dividends" in our 2011 annual report to stockholders, and the information concerning the number of stockholders of record at December 31, 2011, contained under the caption "Summary of selected financial data" in such annual report are incorporated herein by reference to such annual report.

The following table shows our repurchases of our common stock in the fourth quarter of 2011:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1]
October 1 through October 31, 2011	10,415,600	$ 28.80	10,415,600	$ 5.67 billion
November 1 through November 30, 2011	—	—	—	$ 5.67 billion
December 1 through December 31, 2011	—	—	—	$ 5.67 billion
Total	10,415,600	$ 28.80	10,415,600 [2]	$ 5.67 billion [3]

(1) All purchases during the quarter were made under the authorization from our board of directors to purchase up to $7.5 billion of additional shares of TI common stock announced on September 16, 2010.

(2) All purchases during the quarter were open-market purchases.

(3) As of December 31, 2011, this amount consisted of the remaining portion of the $7.5 billion authorization announced on September 16, 2010. No expiration date was specified for these authorizations.

ITEM 6. Selected Financial Data.

The information contained under the caption "Summary of selected financial data" for the years 2007 through 2011 in our 2011 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 information contained under the caption "Management's discussion and analysis of financial condition and results of operations" in our 2011 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information contained under the caption "Quantitative and qualitative disclosures about market risk" in our 2011 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 8. Financial Statements and Supplementary Data.

The consolidated financial statements of the company at December 31, 2011 and 2010, and for each of the three years in the period ended December 31, 2011, and the report thereon of the independent registered public accounting firm, on pages 1

through 38 of our 2011 annual report to stockholders as set forth in Exhibit 13 attached hereto, are incorporated herein by reference to such annual report.

The information contained under the caption “Quarterly financial data” in our 2011 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.

ITEM 9A. Controls and Procedures.

TI acquired National on September 23, 2011. Internal control over financial reporting of National was excluded from the evaluation and assessment discussed below. Before the acquisition, the management of National evaluated its disclosure controls and procedures and assessed its internal control over financial reporting as described in its Form 10-K for the year ended May 29, 2011. National’s results since the acquisition date are included in the December 31, 2011, consolidated financial statements of TI and constituted approximately 4 percent and 5 percent of total and net assets, respectively, as of December 31, 2011, and approximately 2 percent of revenue for the year then ended.

Disclosure Controls and Procedures

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of TI’s management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of TI’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective.

Internal Control over Financial Reporting

Management’s assessment of our internal control over financial reporting is contained under the caption “Report by management on internal control over financial reporting” in our 2011 annual report to stockholders and is incorporated herein by reference to such annual report.

The information contained under the caption “Report of independent registered public accounting firm on internal control over financial reporting” in our 2011 annual report to stockholders is incorporated herein by reference to such annual report.

ITEM 9B. Other Information.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information with respect to directors’ names, ages, positions, term of office and periods of service, which is contained under the caption “Election of directors” in our proxy statement for the 2012 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to directors’ business experience, which is contained under the caption “Board diversity and nominee qualifications” in our proxy statement for the 2012 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to Section 16(a) beneficial ownership reporting compliance contained under the caption of the same name in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

A list of our executive officers and their biographical information appears in Part I, Item 1 of this report.

Code of Ethics

We have adopted the Code of Ethics for TI Chief Executive Officer and Senior Financial Officers. A copy of the Code can be found on our web site at www.ti.com/corporategovernance. We intend to satisfy the disclosure requirements of the SEC regarding amendments to, or waivers from, the Code by posting such information on the same web site.

Audit Committee

The information contained under the caption “Committees of the board” with respect to the audit committee and the audit committee financial expert in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 11. Executive Compensation.

The information contained under the captions “Director compensation” and “Executive compensation” in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption “Compensation committee interlocks and insider participation” in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity Compensation Plan Information

The following table sets forth information about the company’s equity compensation plans as of December 31, 2011:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	78,088,525 (1)	$ 25.63 (2)	115,015,052 (3)
Equity compensation plans not approved by security holders	59,247,477 (4)	$ 25.73 (2)	—
Total	137,336,002 (5)	$ 25.67	115,015,052

(1) Includes shares of TI common stock to be issued under the Texas Instruments 2009 Long-Term Incentive Plan and predecessor plans, the Texas Instruments 2009 Director Compensation Plan and the TI Employees 2005 Stock Purchase Plan.

Also includes:

(i) 3,224,540 shares of TI common stock to be issued upon settlement of outstanding awards granted under the National Semiconductor Corporation 2009 Incentive Award Plan, a plan approved by National stockholders. The company assumed the awards in connection with its acquisition of National.

(ii) 4,279 shares of TI common stock to be issued upon exercise of outstanding options originally granted under the Radia Communications, Inc. 2000 Stock Option/Stock Issuance Plan, a plan approved by the stockholders of Radia Communications, Inc. The company assumed the options in connection with its acquisition of Radia.

(2) Restricted stock units and stock units credited to directors’ deferred compensation accounts are settled in shares of TI

common stock on a one-for-one basis. Accordingly, such units have been excluded for purposes of computing the weighted-average exercise price.

(3) Shares of TI common stock available for issuance under the Texas Instruments 2009 Long-Term Incentive Plan, the Texas Instruments 2009 Director Compensation Plan and the TI Employees 2005 Stock Purchase Plan.

(4) Includes shares to be issued under the Texas Instruments 2003 Long-Term Incentive Plan. This plan was replaced by the Texas Instruments 2009 Long-Term Incentive Plan, which was approved by stockholders, and no further grants may be made under it.

Also includes shares to be issued under the Texas Instruments Directors Deferred Compensation Plan, the Texas Instruments Restricted Stock Unit Plan for Directors and the Texas Instruments Stock Option Plan for Non-Employee Directors. These plans were replaced by the Texas Instruments 2003 Director Compensation Plan (which was replaced by the stockholder-approved 2009 Director Compensation Plan), and no further grants may be made under them.

(5) Includes 113,273,394 shares for issuance upon exercise of outstanding grants of options, 23,358,846 shares for issuance upon vesting of outstanding grants of restricted stock units, 580,095 shares for issuance under the TI Employees 2005 Stock Purchase Plan and 123,667 shares for issuance in settlement of directors' deferred compensation accounts.

Security Ownership of Certain Beneficial Owners and Management

The information that is contained under the captions "Security ownership of certain beneficial owners" and "Security ownership of directors and management" in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained under the caption "Related person transactions" in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption "Director independence" in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 14. Principal Accountant Fees and Services.

The information with respect to principal accountant fees and services contained under the caption "Proposal to ratify appointment of independent registered public accounting firm" in our proxy statement for the 2012 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules.

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

The financial statements are listed in the index on page 27 hereof.

3. Exhibits:

Designation of Exhibit in this Report	Description of Exhibit
2	Agreement and Plan of Merger (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated April 4, 2011).
3(a)	Restated Certificate of Incorporation of the Registrant, dated April 18, 1985.[(a)]
3(b)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant, dated April 16, 1987.[(a)]
3(c)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant, dated April 21 1988.[(a)]
3(d)	Certificate of Amendment to Restated Certificate of Incorporation of the Registrant, dated April 18, 1996.[(a)]
3(e)	Certificate of Ownership merging Texas Instruments Automation Controls, Inc. into the Registrant, dated March 28, 1988.[(a)]
3(f)	Certificate of Elimination of Designations of Preferred Stock of the Registrant, dated March 18, 1994.[(a)]
3(g)	Certificate of Ownership and Merger merging Tiburon Systems, Inc. into the Registrant, dated November 2, 1995.[(a)]
3(h)	Certificate of Ownership and Merger merging Tartan, Inc. into the Registrant, dated June 21, 1995.[(a)]
3(i)	Certificate of Designation relating to the Registrant's Participating Cumulative Preferred Stock, dated June 23, 1998. [(a)]
3(j)	Certificate of Elimination of Designation of Preferred Stock of the Registrant, dated June 18, 1998.[(a)]
3(k)	Certificate of Ownership and Merger merging Intersect Technologies, Inc. with and into the Registrant, dated July 15, 1999.[(a)]
3(l)	Certificate of Ownership and Merger merging Soft Warehouse, Inc. with and into the Registrant, dated September 23, 1999.[(a)]
3(m)	Certificate of Ownership and Merger merging Silicon Systems, Inc. with and into the Registrant, dated December 17, 1999.[(a)]
3(n)	Certificate of Amendment to Restated Certificate of Incorporation, dated April 20, 2000.[(a)]
3(o)	Certificate of Ownership and Merger merging Power Trends, Inc. with and into the Registrant, dated May 31, 2001. [(a)]

Designation of Exhibit in this Report	Description of Exhibit
3(p)	Certificate of Ownership and Merger merging Amati Communications Corporation with and into the Registrant, dated September 28, 2001.[a]
3(q)	Certificate of Ownership and Merger merging Texas Instruments San Diego Incorporated with and into the Registrant, dated August 27, 2002.[a]
3(r)	Certificate of Ownership and Merger merging Texas Instruments Burlington Incorporated with and into the Registrant, dated December 31, 2003.[a]
3(s)	Certificate of Ownership and Merger merging Texas Instruments Automotive Sensors and Controls San Jose Inc. with and into the Registrant, dated October 31, 2004.[a]
3(t)	Certificate of Elimination of Series B Participating Cumulative Preferred Stock (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated June 23, 2008).
3(u)	By-Laws of the Registrant (incorporated by reference to Exhibit 3 to the Registrant's Current Report on Form 8-K dated July 18, 2008).
4(a)	Underwriting Agreement (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K dated May 23, 2011).
4(b)	Indenture (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K dated May 23, 2011).
4(c)	Officer's Certificate (incorporated by reference to Exhibit 4.3 to the Registrant's Current Report on Form 8-K dated May 23, 2011).
5	Opinion of Counsel (incorporated by reference to Exhibit 5 to the Registrant's Registration Statement No. 333-177235 on Form S-8).
10(a)(i)	TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a) to the Registrant's Current Report on Form 8-K dated January 1, 2009).[b]
10(a)(ii)	Amendment No. 1 to the TI Deferred Compensation Plan (incorporated by reference to Exhibit 10(a)(ii) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).[b]
10(b)(i)	TI Employees Non-Qualified Pension Plan (formerly named the TI Employees Supplemental Pension Plan), effective January 1, 1998.[a][b]
10(b)(ii)	First Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), effective January 1, 2000.[a][b]
10(b)(iii)	Second Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated June 21, 2002.[a][b]
10(b)(iv)	Third Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated July 16, 2002.[a][b]

Designation of Exhibit in this Report	Description of Exhibit
10(b)(v)	Fourth Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated November 21, 2003.[(a)(b)]
10(b)(vi)	TI Employees Non-Qualified Pension Plan II (incorporated by reference to Exhibit 10(b) to the Registrant's Current Report on Form 8-K dated January 1, 2009).[(b)]
10(c)	Texas Instruments Long-Term Incentive Plan, adopted April 15, 1993.[(a)(b)]
10(d)	Texas Instruments 1996 Long-Term Incentive Plan, adopted April 18, 1996.[(a)(b)]
10(e)	Texas Instruments 2000 Long-Term Incentive Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(e) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).[(b)]
10(f)	Texas Instruments 2003 Long-Term Incentive Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(f) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).
10(g)	Texas Instruments Executive Officer Performance Plan as amended September 17, 2009 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).[(b)]
10(h)	Texas Instruments Restricted Stock Unit Plan for Directors, as amended, dated April 16, 1998.[(a)]
10(i)	Texas Instruments Directors Deferred Compensation Plan, as amended, dated April 16, 1998[(a)]
10(j)	Texas Instruments Stock Option Plan for Non-Employee Directors, as amended, dated November 30, 2000.[(a)]
10(k)	Texas Instruments 2003 Director Compensation Plan as amended October 16, 2008 (incorporated by reference to Exhibit 10(k) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2008).
10(l)	Form of Stock Option Agreement for Executive Officers under the Texas Instruments 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(l) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).[(b)]
10(m)	Form of Restricted Stock Unit Agreement under the Texas Instruments 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10(m) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2009).[(b)]
10(n)	Asset and Stock Purchase Agreement dated as of January 8, 2006, between Texas Instruments Incorporated and S&C Purchase Corp.[(a)]
10(o)	Texas Instruments 2009 Long-Term Incentive Plan as amended September 17, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2009).

Designation of Exhibit in this Report	Description of Exhibit
10(p)	Texas Instruments 2009 Director Compensation Plan as amended December 2, 2010 (incorporated by reference to Exhibit 10 to the Registrant's Current Report on Form 8-K dated December 7, 2010).
12	Ratio of Earnings to Fixed Charges[(a)]
13	Portions of Registrant's 2011 Annual Report to Stockholders incorporated by reference herein.[(a)]
21	List of Subsidiaries of the Registrant.[(a)]
23	Consent of Independent Registered Public Accounting Firm.[(a)]
31(a)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer.[(a)]
31(b)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer.[(a)]
32(a)	Section 1350 Certification of Chief Executive Officer.[(a)]
32(b)	Section 1350 Certification of Chief Financial Officer.[(a)]
101.ins	Instance Document
101.sch	XBRL Taxonomy Schema
101.cal	XBRL Taxonomy Calculation Linkbase
101.lab	XBRL Taxonomy Labels Linkbase
101.pre	XBRL Taxonomy Presentation Linkbase
101.Def	XBRL Taxonomy Definitions Document

[(a)] Filed herewith.
[(b)] Management compensation plans and arrangements.

“Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995:

This report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management “believes,” “expects,” “anticipates,” “foresees,” “forecasts,” “estimates” or other words or phrases of similar import. Similarly, statements herein that describe TI’s business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements.

We urge you to carefully consider the following important factors that could cause actual results to differ materially from the expectations of TI or its management:

- Market demand for semiconductors, particularly in key markets such as communications, computing, industrial, and consumer electronics;
- TI’s ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- TI’s ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- TI’s ability to compete in products and prices in an intensely competitive industry;
- TI’s ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties;
- Expiration of license agreements between TI and its patent licensees, and market conditions reducing royalty payments to TI;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation networks and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather and earthquakes in the locations in which TI, its customers or its suppliers operate;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- Changes in laws and regulations to which TI or its suppliers are or may become subject, such as those imposing fees or reporting or substitution costs relating to the discharge of emissions into the environment or the use of certain raw materials in our manufacturing processes;
- Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- Customer demand that differs from our forecasts;
- The financial impact of inadequate or excess TI inventory that results from demand that differs from projections;
- Impairments of our non-financial assets;
- Product liability or warranty claims, claims based on epidemic or delivery failure or recalls by TI customers for a product containing a TI part;
- TI’s ability to recruit and retain skilled personnel;
- Timely implementation of new manufacturing technologies, installation of manufacturing equipment and the ability to obtain needed third-party foundry and assembly/test subcontract services;
- TI’s obligation to make principal and interest payments on its debt; and
- TI’s ability to successfully integrate National Semiconductor’s operations, product lines and technologies, and to realize opportunities for growth and cost savings from the acquisition.

For a more detailed discussion of these factors see the Risk Factors discussion in Item 1A of this report. The forward-looking statements included in this report are made only as of the date of this report and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

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: /s/ Kevin P. March

Kevin P. March
Senior Vice President,
Chief Financial Officer
and Chief Accounting Officer

Date: February 24, 2012

Each person whose signature appears below constitutes and appoints each of Richard K. Templeton, Kevin P. March and Joseph F. Hubach, or any of them, each acting alone, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities in connection with the annual report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 2011, to sign any and all amendments to the Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

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 24th day of February 2012.

Signature	Title
/s/ Ralph W. Babb, Jr. **Ralph W. Babb, Jr.**	Director
/s/ Daniel A. Carp **Daniel A. Carp**	Director
/s/ Carrie S. Cox **Carrie S. Cox**	Director
/s/ Pamela H. Patsley **Pamela H. Patsley**	Director
/s/ Robert E. Sanchez **Robert E. Sanchez**	Director
/s/ Wayne R. Sanders **Wayne R. Sanders**	Director
/s/ Ruth J. Simmons **Ruth J. Simmons**	Director
/s/ Richard K. Templeton **Richard K. Templeton**	Chairman of the Board; Director; President and Chief Executive Officer
/s/ Christine Todd Whitman **Christine Todd Whitman**	Director
/s/ Kevin P. March **Kevin P. March**	Senior Vice President; Chief Financial Officer; Chief Accounting Officer

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS
(Item 15(a))

Schedules have been omitted because 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.

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

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

Exhibit 3(c)

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

EXHIBIT 3(d)

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 Five Hundred Ten Million (510,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of $25.00 per share, and Five Hundred Million (500,000,000) 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, Chairman of the Board, President and Chief Executive Officer, this 18th day of April, 1996.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS
Chairman of the Board, President
and Chief Executive Officer

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

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

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

TIBURON SYSTEMS, INC.

INTO

TEXAS INSTRUMENTS INCORPORATED

(Pursuant to Section 253 of the
General Corporation Law of the State of Delaware)

Texas Instruments Incorporated, a corporation organized and existing under the laws of Delaware, does hereby certify:

FIRST: That this corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That this corporation owns all of the outstanding shares of the stock of Tiburon Systems, Inc., a California corporation.

THIRD: That this corporation, by the following resolutions of a duly authorized Special Committee of the Board of Directors, which Special Committee was established by resolution of the whole board of directors, duly adopted at a meeting of such committee on the 2nd day of November, 1995, determined to and did merge into itself said Tiburon Systems, Inc.:

RESOLVED, that Texas Instruments Incorporated merge, and it hereby does merge into itself Tiburon Systems, Inc. and assumes all its obligations; and

FURTHER RESOLVED, that the merger shall be effective upon the date of filing the Certificate of Ownership and Merger with the Secretary of State of Delaware; and

FURTHER RESOLVED, that the proper officers of Texas Instruments Incorporated be and they are hereby directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge Tiburon Systems, Inc. and assume its obligations, and the date of adoption thereof, and to cause the same to be filed with the Secretary of State and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger; and

FURTHER RESOLVED, that the proper officers of Texas Instruments Incorporated shall be, and each hereby is, authorized, empowered and directed for and on behalf of Texas Instruments Incorporated to do all things and to take all actions necessary or desirable in such officer's discretion to carry out the full intent and purpose of the foregoing resolutions.

FOURTH: Anything herein or elsewhere to the contrary notwithstanding, this merger may be amended or terminated and abandoned by the Board of Directors of Texas Instruments Incorporated at any time prior to the date of filing of the Certificate of Ownership and Merger with the Secretary of State.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be signed this 2nd day of November, 1995.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ William B. Mitchell

Name: William B. Mitchell

Title: Vice Chairman

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

TARTAN, INC.

INTO

TEXAS INSTRUMENTS INCORPORATED

(Pursuant to Section 253 of the
General Corporation Law of the State of Delaware)

Texas Instruments Incorporated, a corporation organized and existing under the laws of Delaware, does hereby certify:

FIRST: That this corporation is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: That this corporation owns all of the outstanding shares of the stock of Tartan, Inc., a Pennsylvania corporation.

THIRD: That this corporation, by the following resolutions of the Board of Directors, duly adopted on the 20th day of June, 1996, determined to and did merge into itself said Tartan, Inc.:

RESOLVED, that Texas Instruments Incorporated merge, and it hereby does merge into itself Tartan, Inc. and assumes all its obligations; and

FURTHER RESOLVED, that the merger shall be effective upon the date of filing the Certificate of Ownership and Merger with the Secretary of State of Delaware; and

FURTHER RESOLVED, that the proper officers of Texas Instruments Incorporated be and they are hereby directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolutions to merge Tartan, Inc. and assume its obligations, and the date of adoption thereof, and to cause the same to be filed with the Secretary of State and to do all acts and things whatsoever, whether within or without the State of Delaware, which may be in anywise necessary or proper to effect said merger; and

FURTHER RESOLVED, that the proper officers of Texas Instruments Incorporated shall be, and each hereby is, authorized, empowered and directed for and on behalf of Texas Instruments Incorporated to do all things and to take all actions necessary or desirable in such officer's discretion to carry out the full intent and purpose of the foregoing resolutions.

FOURTH: Anything herein or elsewhere to the contrary notwithstanding, this merger may be amended or terminated and abandoned by the Board of Directors of Texas Instruments Incorporated at any time prior to the date of filing of the Certificate of Ownership and Merger with the Secretary of State.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be signed this 21st day of June, 1995.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ William A. Aylesworth

Name: William A. Aylesworth

Title: Senior Vice President,
Treasurer & CFO

CERTIFICATE OF DESIGNATION
OF
SERIES B PARTICIPATING CUMULATIVE
PREFERRED STOCK

OF

TEXAS INSTRUMENTS INCORPORATED

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

We, William A. Aylesworth, Senior Vice President, Treasurer and Chief Financial Officer, and O. Wayne Coon, Vice President and Assistant Secretary, of Texas Instruments Incorporated, a corporation organized and existing under the General Corporation Law of the State of Delaware ("Delaware Law"), in accordance with the provisions thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of directors by the Certificate of Incorporation of the Corporation, the Board of Directors on June 18, 1998, adopted the following resolution creating a series of Preferred Stock in the amount and having the designation, voting powers, preferences and relative, participating, optional and other special rights and qualifications, limitations and restrictions thereof as follows:

Section 1. Designation and Number of Shares. The shares of such series shall be designated as "Series B Participating Cumulative Preferred Stock" (the "Series B Preferred Stock"), and the number of shares constituting such series shall be 2,200,000. Such number of shares of the Series B Preferred Stock may be increased or decreased by resolution of the Board of Directors; provided that no decrease shall reduce the number of shares of Series B Preferred Stock to a number less than the number of shares then outstanding plus the number of shares issuable upon exercise or conversion of outstanding rights, options or other securities issued by the Corporation.

Section 2. Dividends and Distributions.

(a) The holders of shares of Series B Preferred Stock 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 third Monday of February, May, August and November of 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 any share or fraction of a share of Series B Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (i) $1.00 and (ii) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends or other distributions and 1000 times the aggregate per share amount of all non-cash dividends or other distributions (other than (A) a dividend payable in shares of Common Stock, par value $1.00 per share, of the

Corporation (the "Common Stock") or (B) 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 Series B Preferred Stock. If the Corporation shall at any time after June 18, 1998 (the "Rights Declaration Date") pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series B Preferred Stock were entitled immediately prior to such event under clause 2(a)(ii) 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 Corporation shall declare a dividend or distribution on the Series B Preferred Stock as provided in paragraph 2(a) above immediately after it declares a dividend or distribution on the Common Stock (other than as described in clauses 2(a)(ii)(A) and 2(a)(ii)(B) above); provided that if 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 (or, with respect to the first Quarterly Dividend Payment Date, the period between the first issuance of any share or fraction of a share of Series B Preferred Stock and such first Quarterly Dividend Payment Date), a dividend of $1.00 per share on the Series B 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 Series B Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series B Preferred Stock, unless the date of issue of such shares is on or before the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue and be cumulative from the date of issue of such shares, or unless the date of issue is a date after the record date for the determination of holders of shares of Series B Preferred Stock entitled to receive a quarterly dividend and on or before such Quarterly Dividend Payment Date, in which case 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 shares of Series B 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 Series B Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall not be

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 Series B Preferred Stock shall have the following voting rights:

(a) Subject to the provision for adjustment hereinafter set forth, each share of Series B Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of stockholders of the Corporation. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series B 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 Series B Preferred Stock and the holders of shares of Common Stock shall vote together as a single class on all matters submitted to a vote of stockholders of the Corporation.

(c) (i) If at any time dividends on any Series B Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series B Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock and any other series of Preferred Stock then entitled as a class to elect directors, voting together as a single class, irrespective of series, shall have the right to elect two Directors.

(ii) During any default period, such voting right of the holders of Series B Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph 3(c)(iii) hereof or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that neither such voting right nor the right of the holders of any other series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of 10% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of holders of Common Stock shall not affect the exercise by holders of Preferred Stock of such

voting right. At any meeting at which holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two Directors or, if such right is exercised at an annual meeting, to elect two Directors. If the number which may be so elected at any special meeting does not amount to the required number, the size of the Board of Directors will be automatically increased without any action on the part of the holders of Preferred Stock as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series B Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of special meeting of holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph 3(c)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding, irrespective of series. Notwithstanding the provisions of this paragraph 3(c)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of stockholders.

(iv) In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or

until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph 3(c)(ii) hereof) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph 3(c) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the certificate of incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph 3(c)(ii) hereof (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(d) The Certificate of Incorporation of the Corporation shall not be amended in any manner (whether by merger or otherwise) so as to adversely affect the powers, preferences or special rights of the Series B Preferred Stock without the affirmative vote of the holders of a majority of the outstanding shares of Series B Preferred Stock, voting separately as a class.

(e) Except as otherwise provided herein, holders of Series B Preferred Stock shall have no special voting rights, and their consent shall not be required for taking any corporate action.

Section 4. Certain Restrictions.

(a) Whenever quarterly dividends or other dividends or distributions payable on the Series B 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 outstanding shares of Series B Preferred Stock shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, or make any other distributions on, any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B 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 Series B Preferred

Stock, except dividends paid ratably on the Series B Preferred Stock and all such other 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, purchase or otherwise acquire for value any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series B Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of stock of the Corporation ranking junior (as to dividends and upon dissolution, liquidation or winding up) to the Series B Preferred Stock; or

(iv) redeem, purchase or otherwise acquire for value any shares of Series B Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series B 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 Series B Preferred Stock and all such other parity stock 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 Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for value any shares of stock of the Corporation unless the Corporation could, under paragraph 4(a), purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series B Preferred Stock redeemed, purchased or otherwise acquired by the Corporation 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 without designation as to series 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 as permitted by the Certificate of Incorporation or as otherwise permitted under Delaware Law.

Section 6. Liquidation, Dissolution and Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, 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 Series B Preferred Stock unless, prior thereto, the holders of shares of Series B Preferred Stock shall have received $1.00 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 Series B Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 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 Series B Preferred Stock, except distributions made ratably on the Series B Preferred Stock and all such other 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. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) 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 Series B 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. If the Corporation 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 or any other property, then in any such case the shares of Series B Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 1000 times the aggregate amount of stock, securities, cash or any other property, as the case may be, into which or for which each share of Common Stock is changed or exchanged. If the Corporation shall at any time after the Rights Declaration Date pay any dividend on Common Stock payable in shares of Common Stock or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series B 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 Series B Preferred Stock shall not be redeemable.

Section 9. Rank. The Series B Preferred Stock shall rank junior (as to dividends and upon liquidation, dissolution and winding up) to all other series of the Corporation's preferred stock except any series that specifically provides that such series shall rank junior to the Series B Preferred Stock.

Section 10. Fractional Shares. Series B 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 Series B Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate this 23rd day of June, 1998.

/s/ WILLIAM A. AYLESWORTH
William A. Aylesworth
Senior Vice President, Treasurer and
Chief Financial Officer

/s/ O. WAYNE COON
O. Wayne Coon
Vice President and Assistant Secretary

EXHIBIT 3(j)

CERTIFICATE OF ELIMINATION OF
PARTICIPATING CUMULATIVE 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 on June 22, 1988 in the office of the Secretary of State of Delaware, a Certificate of Designation, which established the voting powers, designations, preferences and relative, participating and other rights, and the qualifications, limitations or restrictions, of the Company's Participating Cumulative Preferred Stock.

2. That no shares of said Participating Cumulative 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 Participating Cumulative Preferred Stock, as established by a Certificate of Designation filed in the office of the Secretary of State of Delaware on June 22, 1988, 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.

4. That accordingly, all references to the Participating Cumulative 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 June 1998.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Richard J. Agnich
Senior Vice President

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
INTERSECT TECHNOLOGIES, INC.
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation (the "Company"), does hereby certify to the following facts relating to the merger (the "Merger") of Intersect Technologies, Inc., a Delaware corporation (the "Subsidiary"), with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the DGCL.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on July 15, 1999, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Intersect Technologies, Inc. (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corpora tion Law of the State of Delaware; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the proper officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware, and to do

all other acts and things that may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective upon the date of filing of the Certificate of Ownership and Merger with the Secretary of State of the State of Delaware; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized, on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.
FIFTH: The Certificate of Incorporation of the Company as in effect immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.
IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 15th day of July, 1999.
TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Name: Richard J. Agnich
Office: Senior Vice President, Secretary and General Counsel

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
SOFT WAREHOUSE, INC.
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation (the "Company"), does hereby certify to the following facts relating to the merger (the "Merger") of Soft Warehouse, Inc., a Hawaii corporation (the "Subsidiary"), with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the laws of the State of Hawaii.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on September 16, 1999, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Soft Warehouse, Inc. (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware and Section 415-75, Hawaii Revised Statutes; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the proper officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware, and to do all other acts and things that

may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective on September 30, 1999; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized, on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.

FIFTH: The Restated Certificate of Incorporation of the Company as in effect immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.

IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 23rd day of September, 1999.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Name: Richard J. Agnich
Office: Senior Vice President, Secretary and General Counsel

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
SILICON SYSTEMS, INC.
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation (the "Company"), does hereby certify to the following facts relating to the merger (the "Merger") of Silicon Systems, Inc., a Delaware corporation (the "Subsidiary"), with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the DGCL.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on December 2, 1999, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Silicon Systems, Inc. (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the proper officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware, and to do all other acts and things that

may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective upon the date of filing of this Certificate of Ownership and Merger with the Secretary of State of the State of Delaware; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.

FIFTH: The Restated Certificate of Incorporation of the Company as in effect immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.

IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 17th day of December, 1999.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ RICHARD J. AGNICH

Name: Richard J. Agnich
Office: Senior Vice President, Secretary and General Counsel

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 Two Billion Four Hundred and Ten Million (2,410,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of $25.00 per share, and two billion four hundred million (2,400,000,000) 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 Thomas J. Engibous, Chairman of the Board, President and Chief Executive Officer, this 20th day of April, 2000.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ THOMAS J. ENGIBOUS

Thomas J. Engibous,
Chairman of the Board,
President and
Chief Executive Officer

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
POWER TRENDS, INC.
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation (the "Company"), does hereby certify to the following facts relating to the merger (the "Merger") of Power Trends, Inc., an Illinois corporation (the "Subsidiary"), with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the laws of the State of Illinois.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on April 18, 2001, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Power Trends, Inc. (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware and Section 11.30 of the Illinois Business Corporation Act; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, Articles of Merger for the purpose of effecting the merger and to file the same in the office of the Secretary of State of the State of Illinois; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the

name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware, and to do all other acts and things that may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective on May 31, 2001; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.

FIFTH: The Restated Certificate of Incorporation of the Company as in effect Immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.

IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 31st day of May, 2001.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ CYNTHIA H. HAYNES

Name: Cynthia H. Haynes
Office: Vice President and Assistant Secretary

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
AMATI COMMUNICATIONS CORPORATION
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation, (the "Company") does hereby certify to the following facts relating to the merger (the "Merger") of Amati Communications Corporation, a Delaware corporation, (the "Subsidiary") with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the DGCL.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on July 19, 2001, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Amati Communications Corporation (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware, and to do all other acts and things that may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective upon the date of

filing of the Certification of Ownership and Merger with the Secretary of State of the State of Delaware; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.

FIFTH: The Restated Certificate of Incorporation of the Company as in effect immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.

IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 28th day of September, 2001.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ DANIEL M. DRORY

Name: Daniel M. Drory
Office: Assistant Secretary

Exhibit 3(g)

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
TEXAS INSTRUMENTS SAN DIEGO INCORPORATED
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

(PURSUANT TO SECTION 253 OF THE GENERAL CORPORATION OF LAW OF THE STATE OF DELAWARE)

Texas Instruments Incorporated, a Delaware corporation (the “Company”), does hereby certify that:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: The Company owns 100% of the outstanding shares of each class of capital stock of Texas Instruments San Diego Incorporated, a California corporation (the “Subsidiary”).

THIRD: The Company, by the following resolutions of its Board of Directors, duly adopted as of July 18, 2002, authorized and approved the merger of the Subsidiary with and into the Company on the terms and conditions set forth in such resolutions:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Texas Instruments San Diego Incorporated (the “Subsidiary”) be merged with and into the Company, with the Company being the surviving corporation, pursuant to Section 253 of the General Corporation Law of the State of Delaware and Section 1110 of the California Corporations Code; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the “Merger”); and it is

FURTHER RESOLVED, that the Merger shall be effective as of August 31, 2002 (the “Effective Time”), and as of the Effective Time the Company will assume (a) all of the rights, title and interest in and to the Subsidiary's assets and (b) the liabilities and obligations of the Subsidiary; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

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FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the Certificate of Incorporation and Bylaws of the Company in effect at the Effective Time shall be the Certificate of Incorporation and Bylaws of the Company; and it is

FURTHER RESOLVED, that the officers and directors of the Company at the Effective Time shall be the officers and directors of the Company; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of California; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger and to file the same in the office of the Secretary of State of the State of Delaware; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized

on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The merger of the Subsidiary with and into the Company shall be effective as of August 31, 2002.

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IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed this 27th day of August, 2002.

TEXAS INSTRUMENTS INCORPORATED

By:	/s/ CYNTHIA H. HAYNES	
	Name:	Cynthia H. Haynes
	Office:	Vice President

Exhibit 3(r)

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
TEXAS INSTRUMENTS BURLINGTON INCORPORATED
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

Pursuant to Section 253 of the
General Corporation of Law
of the State of Delaware

Texas Instruments Incorporated, a Delaware corporation, (the "Company") does hereby certify to the following facts relating to the merger (the "Merger") of Texas Instruments Burlington Incorporated, a Delaware corporation, (the "Subsidiary") with and into the Company, with the Company remaining as the surviving corporation:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Subsidiary is incorporated pursuant to the DGCL.

SECOND: The Company owns all of the outstanding shares of each class of capital stock of the Subsidiary.

THIRD: The Board of Directors of the Company, by the following resolutions duly adopted at a meeting of the Board on December 4, 2003, determined to merge the Subsidiary with and into the Company pursuant to Section 253 of the DGCL:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Texas Instruments Burlington Incorporated (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger (the "Certificate of Ownership and Merger") and to file the same in the office of the Secretary of State of the State of Delaware, and to do all other acts and things that may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective upon the date of filing of the Certificate of Ownership and Merger with the Secretary of State of the State of Delaware; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The Company shall be the surviving corporation of the Merger.

FIFTH: The Restated Certificate of Incorporation of the Company as in effect immediately prior to the effective time of the Merger shall be the Certificate of Incorporation of the surviving corporation.

IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed by its duly authorized officer this 31st day of December, 2003.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ DANIEL M. DRORY

Name: **Daniel M. Drory**

Office: **Assistant Secretary**

CERTIFICATE OF OWNERSHIP AND MERGER
MERGING
TEXAS INSTRUMENTS AUTOMOTIVE SENSORS AND CONTROLS SAN JOSE INC.
WITH AND INTO
TEXAS INSTRUMENTS INCORPORATED

(PURSUANT TO SECTION 253 OF THE GENERAL
CORPORATION OF LAW OF THE STATE OF DELAWARE)

Texas Instruments Incorporated, a Delaware corporation (the "Company"), does hereby certify that:

FIRST: The Company is incorporated pursuant to the General Corporation Law of the State of Delaware.

SECOND: The Company owns 100% of the outstanding shares of each class of capital stock of Texas Instruments Automotive Sensors and Controls San Jose Inc., a Delaware corporation (the "Subsidiary").

THIRD: The Company, by the following resolutions of its Board of Directors, duly adopted on October 21, 2004, authorized and approved the merger of the Subsidiary with and into the Company on the terms and conditions set forth in such resolutions:

RESOLVED, that the Board of Directors of the Company has deemed it advisable that Texas Instruments Automotive Sensors and Controls San Jose Inc. (the "Subsidiary") be merged with and into the Company pursuant to Section 253 of the General Corporation Law of the State of Delaware; and it is

FURTHER RESOLVED, that the Subsidiary be merged with and into the Company (the "Merger"); and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Company shall remain unchanged and continue to remain outstanding as one share of common stock of the Company, held by the person who was the holder of such share of common stock of the Company immediately prior to the Merger; and it is

FURTHER RESOLVED, that by virtue of the Merger and without any action on the part of the holder thereof, each then outstanding share of common stock of the Subsidiary shall be cancelled and no consideration shall be issued in respect thereof; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be and they hereby are authorized and directed to make, execute and acknowledge, in the name and under the corporate seal of the Company, a Certificate of Ownership and Merger for the purpose of effecting the Merger (the "Certificate of Ownership and Merger") and to file the same in the office of the Secretary of State of the State of Delaware and to do all other acts and things that may be necessary to carry out and effectuate the purpose and intent of the resolutions relating to the Merger; and it is

FURTHER RESOLVED, that the Merger shall be effective on October 31, 2004; and it is

FURTHER RESOLVED, that the appropriate officers of the Company be, and each hereby is, authorized on behalf of the Company to do all things and to take any other actions in furtherance of the foregoing resolutions as such officer may deem necessary or appropriate.

FOURTH: The merger of the Subsidiary with and into the Company shall be effective as of October 31, 2004.

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IN WITNESS WHEREOF, the Company has caused this Certificate of Ownership and Merger to be executed this 25th day of October, 2004.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ DANIEL M. DRORY

Name: Daniel M. Drory
Office: Assistant Secretary

TI SUPPLEMENTAL PENSION PLAN

Texas Instruments Incorporated, a Delaware corporation with its principal offices in Dallas, Texas, (hereafter "TI" or "the Company") does hereby amend, restate, and continue the TI Supplemental Pension and Profit Sharing Benefit Plan and the TI Supplemental Pension and Profit Sharing Benefit Plan II in part as the TI Supplemental Pension Plan (hereinafter referred to as the "Plan").

TI adopted the TI Supplemental Pension and Profit Sharing Benefit Plan effective as of September 8, 1978, and the TI Supplemental Pension and Profit Sharing Benefit Plan II as of January 1, 1993. Both such plans were amended from time to time. These two supplemental plans supplemented pension benefits provided under the TI Employees Pension Plan and defined contribution plan benefits provided under the TI Employees Universal Profit Sharing Plan. The provisions of such supplemental plans relevant to, and supplementing pension benefits under, the TI Employees Pension Plan are hereby amended, restated and merged into this Plan, effective January 1, 1998. The supplemental pension plan obligations accrued under the two prior such supplemental plans will be provided under this Plan on and after January 1, 1998.

The provisions of the two supplemental plans relevant to, and supplementing benefits under, the TI Employees Universal Profit Sharing Plan, and effective January 1, 1998, the TI Employees Retirement and Profit Sharing Plan, were amended, restated and merged into the TI Deferred Compensation Plan (the "Deferred Compensation Plan").

Following January 1, 1998, the TI Supplemental Pension and Profit Sharing Benefit Plan and the TI Supplemental Pension and Profit Sharing Plan II, as amended from time to time, shall not apply to any Employee of any Employer who has not commenced receipt of benefits under such supplemental plans prior to January 1, 1998. The benefits of Employees or Beneficiaries in pay status prior to January 1, 1998, under such supplemental plans shall continue to be determined under the provisions of the prior supplemental plans, as applicable, and not under this Plan.

This Plan as so amended and restated shall be effective as of January 1, 1998.

The purpose of the Plan is to restore certain benefits which cannot be provided under the TI Employees Pension Plan as a result of deferral of compensation under the Deferred Compensation Plan or by reason of the application of section 401(a)(17) and/or section 415 of the Internal Revenue Code of 1986, as amended (the "Code"), to a select group of management and highly compensated employees, as described in section 201(2) of the Employee Retirement Income Security Act of 1974 (hereinafter referred to as "ERISA"). With respect to benefits or contributions lost under the TI Employees Pension Plan by reason of the operation of section 415 of the Code, this Plan is intended to constitute an "excess benefit plan", as defined in Section 3 of ERISA, that is exempt from the provisions of ERISA by reason of section 4(b)(5) of ERISA.

Article I
Definitions and Construction

Whenever used in this Plan, the following words and phrases shall have the meanings set forth below, unless a different meaning is plainly required by the context. Unless otherwise indicated by the context, any masculine terminology when used in the Plan shall also include the feminine gender, and the definition of any term in the singular shall also include the plural.

Sec. 1-1. Administrator. "Administrator" means the person or persons from time to time acting under the provisions of Article V hereof.

Sec. 1-2. Beneficiary. "Beneficiary" means the person or persons named by a Participant who is not married as his or her Beneficiary, co-Beneficiary, or contingent Beneficiary under the TI Employees Pension Plan. "Beneficiary" means, in the case of a married Participant, the spouse of the Participant to whom the Participant was married at the time of his or her death unless the Participant has designated another joint annuitant, contingent annuitant, Beneficiary, co-Beneficiary, or contingent Beneficiary under the TI Employees Pension Plan, in which case such persons or person shall be the Beneficiary(ies) under this Plan.

A person who is an alternate payee under a qualified domestic relations order may be considered a Beneficiary for purposes of this Plan.

Sec. 1-3. Board of Directors. "Board of Directors" means the Board of Directors of TI or of any Subsidiary which has adopted this Plan.

Sec. 1-4. Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Sec. 1-5. Compensation Committee. "Compensation Committee" means the Compensation Committee of the Board of Directors of TI.

Sec. 1-6. Deferred Compensation Plan. "Deferred Compensation Plan" means the TI Deferred Compensation Plan.

Sec. 1-7. Employee. "Employee" means any employee of TI or its Subsidiaries, whether full or part-time.

Sec. 1-8. Employer. "Employer" means Texas Instruments Incorporated and any other corporation which may become a party to this Plan; provided that TI shall have sole power to amend or terminate this Plan.

Sec. 1-9. ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

Sec. 1-10. Participant. "Participant" means both a Participant who is accruing or has accrued a benefit pursuant to designation under Article III.

Sec. 1-11. Plan Year. "Plan Year" means a calendar year.

Sec. 1-12. Subsidiary. "Subsidiary" means any entity whose assets and net income are included in the consolidated financial statements of TI and its subsidiaries audited by TI's independent auditors and reported to shareholders in the published annual report to shareholders.

Sec. 1-13. Termination of Employment. "Termination of Employment" means the complete cessation of the employer-employee relationship between TI or any Subsidiary and a Participant, including a leave of absence from which the

Administrator, in its sole discretion, determines that the Participant is not expected to return.

Sec. 1-14. Construction. This Plan is not intended to constitute a "qualified plan" subject to the limitations of section 401(a) of the Code, nor shall it constitute a "funded plan", for purposes of such requirements. It is intended that this Plan shall be exempt from the participation and vesting requirements of Part 2 of Title I of ERISA, the funding requirements of Part 3 of Title I of ERISA and the fiduciary requirements of Part 4 of Title I of ERISA by reason of the exclusions afforded plans which are unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. If any provision of this Plan is determined to be for any reason invalid or unforceable, the remaining provisions of this plan shall continue in full force and effect. This Plan shall be governing construed in accordance with the laws of the State of Texas, except to the extent otherwise required by reference only and are not to be considered in the construction of this Plan. This Plan is functionally and operationally related to the TI Employees Pension Plan, and is to be interpreted in a manner consistent with the TI Employees Pension Plan to provide the benefits contemplated hereunder in a comprehensive manner.

Article II
Eligibility and Participation

Sec. 2-1. Eligibility and Participation. Any Employee shall be eligible for participation in this Plan, and shall automatically become a Participant in the event, that, pursuant to the terms of Article III, any amount would be payable to the Participant under this Plan. In the event that a Participant shall have a Termination of Employment prior to becoming vested in any benefit under the TI Employees Pension Plan, the Participant shall forfeit any benefits accrued under this Plan. Conversely, in the event the Participant shall separate from employment with a vested interest in benefits under the TI Employees Pension Plan, the Participant shall have a vested interest in the corresponding benefits under this Plan. Until a vested Participant has received payment of all benefits credited to or accrued by the Participant hereunder, the participation of the Participant in this Plan shall continue.

Article III
Supplemental Benefits

Sec. 3-1. Supplemental Benefits. The benefit payable under this Plan to a Participant shall be the difference between the benefit actually payable under the TI Employees Pension Plan at the time of computation (and in the form of benefit for which the computation is made) and the benefit that would be payable under the TI Employees Pension Plan if:

(a) the TI Employees Pension Plan contained no limit on the Compensation that may be considered under section 401(a)(17) of the Code (for purposes of the calculation and accrual of benefits under the TI Employees Pension Plan);

(b) "Compensation" for each plan year under the TI Employees Pension Plan included amounts electively deferred, if any, by a Participant under the Deferred Compensation Plan from earnings that would have constituted Compensation for such plan year under the TI Employees Pension Plan, had such amounts not be electively deferred and/or, if

applicable, had section 401(a)(17) of the Code not precluded the consideration of such earnings as Compensation (in the absence of such deferral); for such purpose, no amounts of "Incentive Compensation", as such term is defined in the TI Deferred Compensation Plan, shall be considered as Compensation for purposes of calculating this benefit (whether or not such Incentive Compensation is deferred under the Deferred Compensation Plan; and.

(c) the TI Employees Pension Plan contained no limit pursuant to section 415 of the Code upon the maximum amount of pension that be paid by the TI Employees Pension Plan (such as the limits in effect on January 1, 1998, under Section 5.12 of the TI Employees Pension Plan).

Sec. 3-2. Payment of Supplemental Benefit. Subject to Section 3-3, the benefit determined pursuant to Section 3-1 shall be paid to the person entitled thereto as though it were a part of the benefit being paid to such person under the TI Employees Pension Plan, so that it is payable at the same time, and in the same form, and subject to the same limits and restrictions (other than the limitations referenced in subparagraphs (a), (b) and (c) of Section 3-1) as such person's benefits are subject to under the TI Employees Pension Plan. In the event that the benefits under the TI Employees Pension Plan are payable in the form of a direct rollover, the benefits payable under this Plan shall be payable as though the benefits under the TI Employees Pension Plan were payable in the normal form of benefit applicable to such person.

Sec. 3-3. Restrictions. No benefits accrued under this Plan may be withdrawn by, or distributed to, a Participant while the Participant remains employed by the Company or an Affiliate. No loans may be made to any Participant with respect to benefits accrued under this Plan. Benefits payable under this Plan may not be rolled over or transferred to an individual retirement account or to any other employee benefit plan. No distribution shall be made under this Plan by reason of a distribution under the TI Employees Pension Plan that is made pursuant to section 401(a)(9) of the Code. In the event that payment of benefits under the TI Employees Pension Plan is suspended, payment of corresponding benefits under this Plan will be similarly suspended. Benefits provided under this Plan shall not constitute earnings or compensation for purposes of determining contributions or benefits under any other employee benefit plan of the Employers.

Sec. 3-4. Taxes. TI makes no guarantees and assumes no obligation or responsibility with respect to a Participant's Federal, state, or local income, estate, inheritance or gift tax obligations, if any, under this Plan. Any taxes required to be withheld from payment to payees hereunder shall be deducted and withheld by the Company, benefit provider or funding agent.

Sec. 3-5. Assignment. Except as provided in Section 3-6 below, no Participant or Beneficiary of a Participant shall have any right to assign, pledge, hypothecate, anticipate or in any way create a lien on any amounts payable hereunder. No amounts payable hereunder shall be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act, or by operation of law, or subject to attachment, execution, garnishment, sequestration or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants and their Beneficiaries.

Sec. 3-6. Spousal Claims. Any claim against any benefits hereunder for child support, spousal maintenance or alimony shall be treated in the same

manner as would a claim for corresponding benefits under the TI Employees Pension Plan and shall be subject to all claims provisions and restrictions of the TI Employees Pension Plan. The Administrator may delegate the administration of spousal claims to the Administration Committee under the TI Employees Pension Plan.

Sec. 3-7. Payment in the Event of Legal Disability. If a Participant or Beneficiary entitled to distribution from the Plan is under a legal disability, or in the sole judgment of the Administrator is unable to apply such distribution to his or her own interest and advantage, the Administrator may direct the Plan to make such payment, to be expended for his or her benefit in any one or more of the following ways:

(a) directly to such person;

(b) such person's legal guardian or conservator; or

(c) to such person's spouse or to any person charged with his or her support.

The decision of the Administrator shall in each case be final and binding upon all persons in interest. Any such payment shall completely discharge the obligation of the Administrator, TI and the Plan with respect to such payment.

Article IV
Funding

Sec. 4-1. Funding. Benefits under this Plan shall be funded solely by the Employers. Benefits payable under this Plan shall be paid from the general assets of the Employers and this Plan shall constitute the Employers' unfunded and unsecured promise to pay such benefits. Notwithstanding the foregoing, TI may create reserves, funds, and provide for amounts to be held in trust on behalf of the Employers under such trust agreements or custodial arrangements as the Compensation Committee in its absolute and sole discretion deems appropriate.

Sec. 4-2. Creditor Status. A Participant and his or her Beneficiary or Beneficiaries shall be general creditors of TI with respect to the payment of any benefit under this Plan.

Article V
Administration of the Plan

Sec. 5-1. Administration. The Administrator shall be charged with the administration of the Plan and shall have the power and authority as may be necessary and appropriate for such purposes, including (but not by way of limitation), the defense of lawsuits and conduct of litigation in the name of the Plan (subject to the approval of the General Counsel of TI), the full power and discretion to interpret and construe this Plan where it concerns question of eligibility or status, and subject to the opportunity for review of denied claims pursuant to Section 5-5 below, the rights of Participants and others hereunder, and in general decide any dispute arising under this Plan. In all such cases the determination of the Administrator shall be final, conclusive and binding with respect to Participants and Beneficiaries.

Sec. 5-2. Number and Selection. The Plan shall be administered by an Administrator or Administrators appointed by the Compensation Committee. Each Administrator shall serve without compensation for services in connection with the administration of this Plan and TI shall pay the expenses of

administering the Plan.

Sec. 5-3. Action by Administrator.

(a) If the Administrator is one person, that person shall determine all actions delegated to the Administrator, except as otherwise provided below.

(b) If more than one person is appointed Administrator, all actions of the Administrator shall be by a majority of the persons so appointed, except as otherwise provided below. Such actions may be taken at a meeting of the Administrator or without a meeting by a resolution or memorandum signed by all the persons then appointed Administrator. No Administrator shall be entitled to vote or decide upon any matter pertaining to himself or herself individually but such matter shall be determined by the remaining Administrator or by a majority of the remaining Administrators, if any, or if the Administrator is one person, by the Compensation Committee.

The Administrator may appoint agents, retain legal counsel and other services, and perform such acts as may be necessary for the proper administration of the Plan.

Sec. 5-4. Recordkeeping. The Administrator shall maintain records and data as may be necessary and appropriate for the proper administration of the Plan and shall determine the amounts distributable to Participants and Beneficiaries.

Sec. 5-5. Rules and Regulations. The Administrator may adopt and promulgate such rules and regulations as it may deem appropriate for the administration of the Plan. The Administrator shall adopt and promulgate written rules governing claims procedures reasonably calculated to:

(i) provide adequate written notice to any Participant or other person whose claim under the Plan has been denied, setting forth the specific reasons for such denial; and

(ii) afford a reasonable opportunity to such Participant or other person for a full and fair review by the Plan Administrator of the decision denying the claim.

The determination of the Administrator upon such review shall be final and conclusive.

Sec. 5-6. Reliance on Documents. The Administrator shall be entitled to rely upon, and shall have no liability in relying upon, any representation made to it by TI or any officer of TI, or upon any paper or document believed by it to be genuine and to have been signed or sent by the proper person.

Sec. 5-7. Non-Liability. No member of the Board of Directors, nor Administrator, nor any officer or employee of TI shall be liable for any act done or omitted by him or her with respect to the Plan except for his or her own willful misconduct.

Sec. 5-8. Resignation or Removal. Any Administrator may resign by giving written notice to the Compensation Committee and may be removed by the Compensation Committee by giving written notice to the Administrator. Upon the death, resignation, removal or inability of any Administrator to act as such, the Compensation Committee may appoint a successor.

Sec. 5.9. Information: Overpayment or Underpayment of Benefits. In

implementing the terms of this Plan the Administrator may, without the consent of notice to any person, release to or obtain from any entity or other organization or person information, with respect to any persons, which the Administrator deems to be necessary for such purpose. Any Participant or Beneficiary claiming benefits under this Plan shall furnish to the Administrator such information as may be necessary to determine eligibility for and amount of benefit, as a condition of claim to and receipt of such benefit. The Administrator may adopt, in its sole discretion, whatever rules, procedures and accounting practices it determines to be appropriate in providing for the collection of any overpayment of benefits. If a Participant or Beneficiary receives an underpayment of benefits, the Administrator shall direct that immediate payment be made to make up for the underpayment. If an overpayment is made to a Participant or Beneficiary for whatever reason, the Administrator in its sole discretion, may withhold payment of any further benefits under the Plan until the overpayment has been collected or may require repayment of benefits paid under this Plan without regard to further benefits to which the Participant or Beneficiary may be entitled.

Article VI
General Provisions

Sec. 6-1. Amendment, Termination. The Compensation Committee of the Board of Directors of TI may change, amend, modify, alter, or terminate the Plan at any time and in any manner, prospectively or retroactively, except that no such amendment, modification, alteration or termination shall be exercised retroactively to reduce or eliminate the benefit accrued by a Participant to the date of amendment, modification or termination. The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation beyond the promise to pay the benefits described in this Plan.

Sec. 6-2. Plan Not an Employment Contract. The Plan is not an employment contract. It does not give to any person the right to be continued in employment, and all Participants remain subject to change of compensation, transfer, change of job, discipline, layoff, discharge or any other change of employment status. Nothing contained in this Plan shall prevent a Participant or Beneficiary from receiving, in addition to any payments provided for under this Plan, any payments provided for any other Plan or benefit program of the Employers, or which would otherwise be payable or distributable to him or her or his or her surviving spouse or Beneficiary. Nothing in this Plan shall be construed as preventing TI or any of its subsidiaries from establishing any other or different Plans providing for current or deferred supplemental compensation for employees.

Sec. 6-3. Rights of Persons Making Claims. No Employee, or Participant, or any person or entity claiming through an Employee or Participant, shall have any rights whatsoever other than the rights and benefits specifically granted under this Plan.

In witness whereof, Texas Instruments Incorporated has caused this instrument to be executed by its duly authorized officer.

Texas Instruments Incorporated:

By: /s/ RICHARD J. AGNICH

Richard J. Agnich
Senior Vice President, General Counsel
and Secretary

FIRST AMENDMENT
TO
TI SUPPLEMENTAL PENSION PLAN

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation with its principal offices in Dallas, Texas (hereinafter referred to as "TI" or the "Company") hereby adopts this First Amendment to the TI Supplemental Pension Plan, which was amended and restated in the entirety effective as of January 1, 1998.

This First Amendment to the TI Supplemental Pension Plan shall be effective January 1, 2000. Except as hereby amended, the TI Supplemental Pension Plan, as hereby amended, shall continue in full force and effect.

1. Section 3-2 is hereby amended and restated in the entirety to read as follows:

"Sec. 3.2. Payment of Supplemental Benefit. Subject to Section 3-3, and except to the extent deferred pursuant to the Deferred Compensation Plan, the benefit determined pursuant to Section 3-1 shall be paid to the person entitled thereto as though it were a part of the benefit being paid to such person under the TI Employees Pension Plan, so that it is payable at the same time, and in the same form, and subject to the same limits and restrictions (other than the limitations referenced in subparagraphs (a), (b) and (c) of Section 3-1) as such person's benefits are subject to under the TI Employees Pension Plan. In the event that benefits under the TI Employees Pension Plan are payable in the form of a direct rollover, unless the benefits payable under this Plan are deferred pursuant to the terms and provisions of the Deferred Compensation Plan, the benefits payable under this Plan shall be payable as though the benefits under the TI Employees Pension Plan were payable in the normal form of benefit applicable to such person. If only part of the Participant's benefit under this Plan are deferred pursuant to the terms and provisions of the Deferred Compensation Plan, the remaining benefits, after actuarial adjustment to reflect the amount deferred, shall be paid in accordance with the preceding provisions of this Section 3-2."

2. Section 3-3 is hereby amended and restated in the entirety to read as follows:

"Sec. 3-3. Restrictions. No benefits accrued under this Plan may be withdrawn by, or distributed to, a Participant while the Participant remains employed by the Company or an Affiliate, provided that all or a part of the benefits payable under this Plan may be deferred pursuant to the terms and provisions of the Deferred Compensation Plan. No loans may be made to any Participant with respect to benefit accrued under this Plan. Except to the extent deferred pursuant to the terms and provisions of the Deferred Compensation Plan, benefits payable under this Plan may not be rolled over or transferred to an individual retirement account or to any other employee benefit plan. No distribution shall be made under this Plan by reason of a distribution under the TI Employees Pension Plan that is made pursuant to section

401(a)(9) of the Code. In the event that payment of benefits under the TI Employees Pension Plan is suspended and the benefits under this Plan have not been deferred pursuant to the terms and provisions of the Deferred Compensation Plan, payment of corresponding benefits under this Plan will be similarly suspended. To the extent that a Participant defers payment of benefits under this Plan pursuant to the terms and provisions of the Deferred Compensation Plan, the Participant shall not be entitled to benefits under this Plan, but the corresponding deferred benefits shall be payable in accordance with the terms and provision of the Deferred Compensation Plan. In the event that only a part of the benefits of the Participant under this Plan are deferred pursuant to the Deferred Compensation Plan, the remaining benefits, actuarially adjusted to reflect subtraction of the amount so deferred, shall be payable in accordance with Section 3-1. Actuarial equivalency calculations shall be determined by the Administrator, in its sole and absolute discretion. Benefits provided under this Plan shall not constitute earnings or compensation for purposes of determining contributions or benefits under any other employee benefit plan of the Employers."

3. The first sentence of Section 3-5 is hereby amended to read as follows:

"Except as provided in Section 3-6 below, or except as the Participant may defer payment of benefits under this Plan pursuant to the terms and provisions of the Deferred Compensation Plan, no Participant or beneficiary of a Participant shall have any right to assign, pledge, hypothecate, anticipate or in any way create a lien on any amounts payable hereunder."

4. Except as hereby amended by this First Amendment to TI Supplemental Pension Plan, the TI Supplemental Pension Plan as previously amended and restated effective January 1, 1998 is hereby ratified.

IN WITNESS WHEREOF, Texas Instruments Incorporated has caused this instrument to be executed by its duly authorized officer.

Texas Instruments Incorporated:

By: /s/ RICHARD J. AGNICH

Richard J. Agnich
Senior Vice President, General Counsel
and Secretary

SECOND AMENDMENT
TO
TI SUPPLEMENTAL PENSION PLAN

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation with its principal offices in Dallas, Texas (hereinafter referred to as "TI" or the "Company") hereby adopts this Second Amendment to the TI Supplemental Pension Plan, which was amended and restated in the entirety effective as of January 1, 1998. Thereafter the Plan was amended by a First Amendment, effective as of January 1, 1998.

1. A new Section 1-3A is hereby added, to follow Section 1-3 and to precede Section 1-4 under Article I of the TI Supplemental Pension Plan, and to read as follows:

"Sec. 1-3A Change of Control. "Change of Control" means an event which shall be deemed to have occurred when:

(i) any Person, alone or together with its Affiliates and Associates or otherwise, shall become an Acquiring Person (otherwise than pursuant to a transaction or agreement approved by the Board of Directors prior to the time the Acquiring Person became such); or

(ii) a majority of the Board of Directors of the Company shall change within any 24-month period, unless the election or the nomination for election by the Company's stockholders of each new director has been approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the Period. For the purposes hereof, the terms "Persons", "Affiliates", "Associates", "Acquiring Person" and "Period" shall have the meanings given to such terms in the Rights Agreement dated as of June 17, 1988, between the Company and Harris Trust and Savings Bank, successor in interest to First Chicago Trust Company of New York (formerly Morgan Shareholder Services Trust Company), as in effect on the date hereof, provided, however, that if the percentage employed in the definition of Acquiring Person is reduced hereafter from 20% in such Rights Agreement or any successor Rights Agreement, then such reduction shall also be applicable for the purposes hereof."

2. The first sentence of Section 3-2 is hereby amended and restated in the entirety to read as follows:

"Except as provided below in the case of a Change of Control and subject to Section 3-3 the benefit determined pursuant to Section 3-1 shall be paid to the person entitled thereto as though it were a part of the benefit being paid to such person under the TI Employees Pension Plan, so that it is payable at the same time, and in the same form, and subject to the same limits and restrictions (other than the limitations referenced in subparagraphs (a), (b) and (c) of Section 3-1) as such person's benefits are subject to under the TI Employees Pension Plan."

3. Section 3-2 is hereby amended by the addition of the following, at the end of Section 3-2:

"In the event of a Change of Control, the present value of each Participant's benefits accrued under this Plan as of the date of the Change of Control shall be distributed in a lump sum, not later than the month following the month in which such Change of Control occurred. The Plan shall thereafter continue to be administered following the Change of Control, in accordance with its terms as though the Change of Control had not occurred (provided that the benefits accrued subsequent to the Change of Control shall be adjusted to reflect the cash-out of previously accrued benefits). In computing the present value of such accrued benefits, the Administrator shall utilize the actuarial assumptions utilized under the TI

Employees Pension Plan prior to the Change of Control, in consultation with the firm of consulting actuaries engaged to perform annual actuarial valuations under the TI Employees Pension Plan prior to the date of the Change of Control."

4. The first sentence of Section 3-3 is hereby amended and restated in the entirety to read as follows:

"Except as provided in Section 3-2 in the case of a Change of Control, no benefits accrued under this Plan may be withdrawn by, or distributed to, a Participant while the Participant remains employed by the

Company or an Affiliate."

5. Except as amended hereby, the TI Supplemental Pension Plan, as previously amended, shall continue in full force and effect. This Second Amendment to the TI Supplemental Pension Plan shall be effective July 1, 2001.

IN WITNESS WHEREOF, Texas Instruments Incorporated has caused this instrument to be executed by its duly authorized officer on this 21st day of June, 2002.

Texas Instruments Incorporated

By: /s/ STEPHEN H. LEVEN
Stephen H. Leven

Its: Senior Vice President-Human Resources

THIRD AMENDMENT
TO
TI SUPPLEMENTAL PENSION PLAN

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation with its principal offices in Dallas, Texas (hereinafter referred to as "TI" or the "Company") hereby adopts this Third Amendment to the TI Supplemental Pension Plan, which was amended and restated in the entirety effective as of January 1, 1998. Thereafter the Plan was amended by a First Amendment, effective as of January 1, 1998, and a Second amendment, effective as of July 1, 2001.

1. Effective January 1, 2002, a new Section 1-1A shall be added to read as follows:

"Sec. 1-1A. Affected Participant. "Affected Participant" means a Participant who experiences a Termination of Employment as a result of a Sale of Assets, and who following the Sale of Assets continues in the employ of the entity that acquired such assets from the Employer."

2. Effective January 1, 2002, a new Section 1-11A shall be added to read as follows:

"Sec. 1-11A. Sale of Assets. "Sale of Assets" means the sale or disposition by the Employer of all or substantially all of the assets used by the Employer in a trade or business to an entity not related to the Employer."

3. Effective January 1, 2002, Section 3-2 shall be amended in its entirety to read as follows:

"Sec. 3-2. Payment of Supplemental Benefit. Except as provided below in the case of a Change of Control or a Sale of Assets, and subject to Section 3-3, the benefit determined pursuant to Section 3-1 shall be paid to the person entitled thereto as though it were a part of the benefit being paid to such person under the TI Employees Pension Plan, so that it is subject to the same limits and restrictions (other than the limitations referenced in subparagraphs (a), (b) and (c) of Section 3-1) as such person's benefits are subject to under the TI Employees Pension Plan; provided however, that the benefits payable under this Plan shall only be distributed in the form of a lump sum distribution at such time as is administratively practicable. Notwithstanding the above, the benefits that are payable under this Plan may be deferred pursuant to the terms and provisions of the Deferred Compensation Plan.

In the event of a Change of Control, the present value of each Participant's benefits accrued under this Plan as of the date of the Change of Control shall be distributed in a lump sum, not later than the month following the month in which such Change of Control occurred. In the event of a Sale of Assets, the present value of each Affected Participant's accrued benefit under this Plan, as of the date of the Sale of Assets shall be distributed in a lump sum, as soon as administratively practicable following such Sale of Assets.

Following the Change of Control or Sale of Assets (as applicable), the Plan shall thereafter continue to be administered in accordance with its terms as though the Change of Control or Sale of Assets (as applicable) had not occurred (provided that the benefits accrued subsequent to the Change of Control or Sale of Assets (as applicable) shall be adjusted to reflect the cash-out of previously accrued benefits). In computing the present value of such accrued benefits, the Administrator shall utilize the actuarial assumptions utilized under the TI Employees Pension Plan prior to the Change of Control or Sale of Assets (as applicable), in consultation with the firm of consulting actuaries engaged to perform annual actuarial valuations under the TI Employees Pension Plan prior to the date of the Change of Control or Sale of Assets (as applicable).

4. Except as amended hereby, the TI Supplemental Pension Plan, as previously amended, shall continue in full force and effect.

IN WITNESS WHEREOF, Texas Instruments Incorporated has caused this instrument to be executed by its duly authorized officer, this 16th day of July, 2002.

Texas Instruments Incorporated

By: /s/ STEPHEN H. LEVEN
Stephen H. Leven

Its: Senior Vice President-Human Resources

Exhibit 10(b)(v)

FOURTH AMENDMENT

TO

TI SUPPLEMENTAL PENSION PLAN

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation with its principal offices in Dallas, Texas, hereby adopts this Fourth Amendment to the TI Supplemental Pension Plan (the "Plan"). This Fourth Amendment to the Plan shall be effective immediately. Except as hereby amended by this Fourth Amendment, the Plan, as previously amended, shall continue in full force and effect.

The First sentence of section 5-2 is amended and restated in its entirety to read as follows:

"The Plan shall be administered by an Administrator or Administrators appointed by the Compensation Committee or its delegate."

IN WITNESS WHEREOF, Texas Instruments Incorporated has caused this instrument to be executed by its duly authorized officer on this 21st day of November, 2003.

Texas Instruments Incorporated

By: /s/ Stephen H. Leven

Stephen H. Leven

Its: **Senior Vice President-Human Resources**

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

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,

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

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,

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.

(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 Inconsistences

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.

(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.

TEXAS INSTRUMENTS 1996 LONG-TERM INCENTIVE PLAN
As Adopted April 18, 1996

The Texas Instruments 1996 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. In addition, a director may serve as a member or alternate member of the Committee only during periods in which he is an "outside" director as described in Section 162(m) of the Internal Revenue Code of 1986 and regulations promulgated thereunder. 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) "Cycle Time Improvement" shall mean a reduction of the actual time a specific process relating to a product or service of the Company takes to accomplish.

(e) "Earnings Per Share" shall mean earnings per share calculated in accordance with Generally Accepted Accounting Principles.

(f) "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.

(g) "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.

(h) "Manufacturing Process Yield" shall mean the good units produced as a percent of the total units processed.

(i) "Market Share" shall mean the percent of sales of the total available market in an industry, product line or product attained by the Company or one of its business units during a time period.

(j) "Net Revenue Per Employee" in a period shall mean net revenue divided by the average number of employees of the Company, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

(k) "Non-Qualified Stock Option" shall mean an option granted under said paragraph (a) that is not intended to be an Incentive Stock Option.

(l) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(m) "Other Stock-Based Award" shall mean any right granted under paragraph (d) under the heading "Awards" set forth below.

(n) "Participant" shall mean an employee designated to be granted an Award under the Plan.

(o) "Performance Unit" shall mean any right granted under paragraph (c) under the heading "Awards" set forth below.

(p) "Released Securities" shall mean securities that were Restricted Securities with respect to which all applicable restrictions have expired, lapsed, or been waived.

(q) "Restricted Securities" shall mean Awards of Restricted Stock or other Awards under which issued and outstanding Shares are held subject to certain restrictions.

(r) "Restricted Stock" shall mean any Share granted under paragraph (b) under the heading "Awards" set forth below.

(s) "Restricted Stock Unit" shall mean any right granted under said paragraph (b) that is denominated in Shares.

(t) "Return On Common Equity" for a period shall mean net income less preferred stock dividends divided by total shareholders equity, less amounts, if any, attributable to preferred stock.

(u) "Return On Net Assets" for a period shall mean net income less preferred stock dividends divided by the difference of average total assets less average non-debt liabilities, with average defined as the sum of assets or liabilities at the beginning and ending of the period divided by two.

(v) "Revenue Growth" shall mean the percentage change in revenue (as defined in Statement of Financial Accounting Concepts No. 6, published by the Financial Accounting Standards Board) from one period to another.

(w) "Shares" shall mean shares of the common stock of the Company, $1.00 par value.

(x) "Total Shareholder Return" shall mean the sum of the appreciation in the Company's stock price and dividends paid on the common stock of the Company over a given period of time.

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 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 18,500,000 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 1984 or 1988 Stock Option Plans, or an award granted under the Company's Long-Term Incentive Plan adopted April 15, 1993, or to which such an award relates, are forfeited, or if such 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 2,000,000 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, 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. However, the minimum vesting period for Restricted Stock Units granted under this Plan shall be three years.

(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 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, 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.

(vii) Performance Measures for Selected Awards. Every award other than an option or stock appreciation right to a member of the Executive Group (defined below) shall include a pre-established formula, such that payment, retention or vesting of the award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels, as determined by the Committee, of one or more of the following performance measures, as determined by the Committee: (i) return on net assets, (ii) revenue growth, (iii) return on common equity, (iv) total shareholder return, (v) earnings per share, (vi) cycle time improvement, (vii) manufacturing process yield, (viii) net revenue per employee or (ix) market share. The

"Executive Group" shall include every person who, at the time such pre-established formula is determined, is expected by the Committee to be both (a) a "covered employee" as defined in Section 162(m) of the Code as of the end of the taxable year in which payment of the award may be deducted by the Company, and (b) the recipient of compensation of more than $1,000,000 for that taxable year. For awards in the form of options or stock appreciation rights, no more than 500,000 shares can be granted under this Plan to any participant in any one year. For other awards denominated in stock, no more than 50,000 shares can be

granted under this Plan to any participant in any one year. For all other awards, no more than $5,000,000 can be paid under this Plan to any participant in any one year.

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.

(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.

(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 18, 2006. 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.

TEXAS INSTRUMENTS RESTRICTED STOCK UNIT PLAN FOR DIRECTORS

As Amended April 16, 1998

The Texas Instruments Restricted Stock Unit Plan for Directors 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 this Plan, unless otherwise indicated, the term "Company" shall mean Texas Instruments Incorporated.

Eligibility

All directors of the Company who are not during the term of this Plan and who have not previously been officers or employees of the Company shall participate in this Plan.

Definitions

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

(a) "Fair Market Value" shall mean, with respect to any Shares, the simple average of the high and low prices of such Shares on the date of grant of Restricted Stock Units (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal";

(b) "Restricted Stock Units" shall mean any Units granted under paragraphs (a) or (b) under the heading "Grants of Restricted Stock Units" set forth below; and

(c) "Shares" shall mean shares of the common stock of the Company, $1.00 par value.

Administration of Plan

This Plan shall be administered by the Secretary of the Company (the "Secretary"). The Secretary shall have full power and authority to construe, interpret and administer the Plan. The Secretary may issue rules and regulations for administration of the Plan. All decisions of the Secretary shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the directors. In the event of the absence or inability of the Corporate Secretary, any Assistant Secretary shall have the authority to act in his place.

Subject to the terms of the Plan and applicable law, the Secretary shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement relating to, or Restricted Stock Units granted under, the Plan; (ii) establish, amend, suspend or waive such rules and regulations and appoint such agents as the Secretary shall deem appropriate for the proper

administration of the Plan; and (iii) make any other determination and take any other action that the Secretary deems necessary or desirable for the administration of this Plan.

Restricted Stock Units Available for Grant

Subject to adjustment as provided below:

(a) Sources of Shares Deliverable Under Restricted Stock Units. Any Shares delivered pursuant to the settlement of Restricted Stock Units shall consist of treasury Shares.

(b) Adjustments. In the event that the Secretary 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, 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 Secretary 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 Secretary shall, in such manner as he or she may deem equitable, adjust the number of outstanding Restricted Stock Units; provided, however, that no fractional Restricted Stock Units shall be issued or outstanding hereunder. Notwithstanding any such corporate transaction or event, no adjustment shall be made in the number of Restricted Stock Units to be granted to new directors who are elected after the occurrence of any such corporate transaction or event.

Grants of Restricted Stock Units

(a) Initial Grants of Restricted Stock Units. The Company, as of the effective date of this Plan, shall grant to each then current director of the Company 1000 Restricted Stock Units. Each Restricted Stock Unit shall be paid or settled by the issuance of one Share upon the termination of such recipient's service as a director of the Company, provided that such termination of service shall have occurred (i) after the age at which a director is ineligible under the Company's by-laws to stand for reelection to the Board, (ii) after the completion of at least eight years of service as a director of the Company or (iii) as a result of the death or disability of the director. In the event such recipient's membership on the Board of Directors of the Company shall terminate prior to the attainment of the age for ineligibility for reelection and prior to the completion of eight years of service as a director for reasons other than death or disability, such Restricted Stock Units shall terminate and all of the rights, title and interest of the recipient thereunder shall be forfeited in their entirety. Following the effective date of this Plan, each new director shall, effective as of the date of such individual's initial election or

appointment to the Board of Directors, be granted 2000 Restricted Stock Units which shall be subject to the same terms and restrictions as are described in this paragraph (a). Notwithstanding the foregoing, in no event shall Shares be issued pursuant to a Restricted Stock Unit granted under this paragraph (a) if a director's service on the board shall terminate within less than six months after the date of grant for any reason other than death or disability.

(b) Grants of Restricted Stock Units for Portion of Annual Retainer. As of the date of the annual meeting of stockholders each year following the effective date of this Plan, fifty percent (50%) of the annual retainer (not including retainers for committee membership or committee chair) payable to each director during the twelve-month period beginning May 1 of such year and ending April 30 of the following year shall be paid to the director in the form of Restricted Stock Units. Also, fifty percent (50%) of each director's annual retainer for the period beginning May 1, 1995 and ending April 30, 1996 remaining payable after June 30 shall be paid to the director in the form of Restricted Stock Units, which shall be granted as of the effective date of this Plan. The number of Restricted Stock Units to be granted under this paragraph (b) in each case shall be determined by dividing (i) the amount of annual retainer to be paid in the form of Restricted Stock Units by (ii) the Fair Market Value of the Shares and shall be rounded up to the next whole Restricted Stock Unit in the event such determination results in a fraction of a Restricted Stock Unit. Each such Restricted Stock Unit shall provide for the issuance of one Share upon the termination of the recipient's membership on the Board of Directors. In the event a director's service on the Board shall terminate for any reason during a year, the number of Restricted Stock Units granted for such year shall be reduced proportionately, and the excess shall be forfeited. Notwithstanding the foregoing, this paragraph (b) shall no longer be applicable after April 15, 1998.

(c) Right to Dividend Equivalents. Each recipient of Restricted Stock Units under this Plan shall have the right, during the period when such Restricted Stock Units are outstanding and prior to the termination, forfeiture or payment or settlement thereof, to receive dividend equivalents equal to the amount or value of any cash or other distributions or dividends payable on the same number of Shares. The Company shall accumulate dividend equivalents on each dividend payment date and pay such accumulated amounts without interest annually.

(d) Issuance of Shares Upon Lapse of Restrictions. A stock certificate or certificates shall be registered and issued in the name of the holder of Restricted Stock Units and delivered to such holder as soon as practicable after such Restricted Stock Units have become payable or settleable in accordance with the terms of the Plan.

(e) Limits on Transfer of Restricted Stock Units. No Restricted Stock Units and no right under any Restricted Stock Units shall be assignable, alienable, salable or transferable by a participant otherwise than by will or by the laws of descent and distribution. All rights under any Restricted Stock Unit 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 Restricted Stock Unit and no right under any such Restricted Stock Unit 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.

(f) Share Certificates. All certificates for Shares delivered under the Plan pursuant to any Restricted Stock Units shall be subject to such stop transfer orders and other restrictions as the Secretary may deem

advisable under the Plan and 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 Secretary 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 expressly provided in this 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 stockholder, participant, other holder or beneficiary of Restricted Stock Units, or other person; provided, however, that, no such action shall impair the rights under any Restricted Stock Units theretofore granted under the Plan.

(b) Correction of Defects, Omissions and Inconsistencies. The Secretary may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Restricted Stock Units in the manner and to the extent he or she shall deem desirable to carry the Plan into effect.

General Provisions

(a) Withholding. The Company shall be authorized to withhold from any Restricted Stock Units granted or any transfer made under any Restricted Stock Units or under the Plan or from any dividend equivalents to be paid on Restricted Stock Units the amount (in cash, Shares, other securities, or other property) of any taxes required to be withheld in respect of a grant, payment or settlement of Restricted Stock Units or any payment of dividend equivalents under such Restricted Stock Units or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of any such taxes.

(b) 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.

(c) No Right to Continued Board Membership. The grant of Restricted Stock Units shall not be construed as giving a participant the right to be retained as a director of the Company. The Board of Directors may at

any time fail or refuse to nominate a participant for election to the Board, and the stockholders of the Company may at any election fail or refuse to elect any participant to the Board free from any liability or claim under this Plan or any Restricted Stock Units.

(d) 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.

(e) Severability. If any provision of the Plan or any Restricted Stock Unit is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or any Restricted Stock Unit, or would disqualify the Plan or any Restricted Stock Unit under any law deemed applicable by the Secretary, 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 Secretary, materially altering the intent of the Plan or the Restricted Stock Unit, such provision shall be stricken as to such jurisdiction, person or Restricted Stock Unit, and the remainder of the Plan and any such Restricted Stock Unit shall remain in full force and effect.

(f) No Trust or Fund Created. Neither the Plan nor any Restricted Stock Units 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 Restricted Stock Units, or Shares pursuant to Restricted Stock Units, from the Company pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

(g) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan.

Effective Date of the Plan

The Plan shall be effective as of June 15, 1995.

Term of the Plan

No Restricted Stock Units shall be granted under the Plan after April 18, 2006. However, unless otherwise expressly provided in the Plan or in the restrictions applying to Restricted Stock Units previously issued, any Restricted Stock Units theretofore granted may extend beyond such date, and the authority of the Secretary to interpret, construe, administer and make determinations under this Plan, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS DIRECTORS DEFERRED COMPENSATION PLAN
As Amended April 16, 1998

The purpose of this plan (the "Plan") is to provide Directors (as herein defined) of Texas Instruments Incorporated ("TI" or the "Company") with the opportunity to defer certain portions of the compensation paid to them as Directors and to select from among investment alternatives with respect to such deferred compensation.

Section 1. Definitions.

(a) "Board" means the Board of Directors of the Company, as constituted from time to time.

(b) "Cash Account" means the bookkeeping account established pursuant to Section 4 on behalf of each Director who elects pursuant to Section 3 to have any of his or her Deferred Compensation credited to a cash account.

(c) "Deferred Compensation" means that portion of any Director's Eligible Compensation that he or she elects pursuant to Section 2 to be deferred in accordance with this Plan.

(d) "Director" means a member of the Board who is not an employee of the Company or any subsidiary thereof.

(e) "Eligible Compensation" means the cash portion of any compensation payable by the Company to a Director for his or her services as a Director but shall not include any reimbursement by the Company of expenses incurred by a Director incidental to attendance at a meeting of the Company's stockholders, the Board, or any committee of the Board, or of any other expense incurred on behalf of the Company.

(f) "Fair Market Value" means the average of the high and low prices of TI common stock on the date the determination is made (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in "New York Stock Exchange Composite Transactions" in The Wall Street Journal.

(g) "Secretary" means the Secretary of the Company.

(h) "Stock Unit Account" means the bookkeeping account established, pursuant to Section 5, on behalf of each Director who elects, pursuant to Section 3, to have any of his or her Deferred Compensation credited to a stock unit account.
(i) "Year" means a calendar year.

Section 2. Deferral Election.

Each Director may elect, with respect to any Year, that all or any portion of his or her Eligible Compensation be deferred in accordance with the terms of this Plan.

Section 3. Investment Alternatives.

Each Director may elect that his or her Deferred Compensation for any Year be credited to a cash account or a stock unit account or to any combination thereof.

Section 4. Cash Accounts.

(a) TI shall establish and maintain a separate unfunded Cash Account for each Director who has elected that any portion of his or her Deferred Compensation be credited to a cash account.

(b) As of the date on which any amount of a Director's Deferred Compensation becomes payable, his or her Cash Account shall be credited with an amount equal to that portion of such Deferred Compensation as such Director has elected be credited to his or her Cash Account.

(c) As of the last day of each month, interest on each Cash Account shall be credited on the average of the balances on the first and last day of such month. Interest shall be credited at a rate equivalent to the average yield on corporate bonds rated Aaa by Moody's Investors Service on September 30 of the preceding Year (or if there is no such yield reported for such date, then on the next preceding date for which such a yield is reported) as published in Federal Reserve Statistical Release H.15, or at such other rate as may be determined by the Board Organization and Nominating Committee for each Year.

Section 5. Stock Unit Accounts.

(a) TI shall establish and maintain a separate unfunded Stock Unit Account for each Director who has elected that any portion of his Deferred Compensation be credited to a stock unit account.

(b) As of each date on which any amount of a Director's Deferred Compensation becomes payable, his or her Stock Unit Account shall be credited with that number of units as are equal to the number of full or fractional shares of TI common stock as could be purchased at the Fair Market Value with the portion of such Deferred Compensation as such Director has elected be credited to his or her Stock Unit Account.

(c) As of the payment date for each dividend on TI common stock declared by the Board, there shall be credited to each Stock Unit Account that number of units as are equal to the number of full or fractional shares of TI common stock as could be purchased at the Fair Market Value on the payment date for such dividend with an amount equal to the product of: (i) the dividend per share, and (ii) the number of units in such account immediately prior to the record date for such dividend.

(d) In the event that the Secretary shall determine that any dividend or other distribution (whether in the form of cash, stock or other securities or property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination,

repurchase or exchange of stock or other securities of the Company, issuance of warrants or other rights to purchase stock or other securities of the Company, or other similar corporate transaction or event affects the Stock Unit Accounts such that an adjustment is determined by the Secretary 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 Secretary shall, in such manner as he or she may deem equitable, adjust the number of units in the Stock Unit Accounts.

Section 6. Form and Time of Election.

A Director's election to defer all or any portion of his or her Eligible Compensation for any Year shall be irrevocable. The election shall be made in writing in the form ("Election Form") prescribed by the Secretary. Except as hereinafter provided, to be effective, an Election Form for any Year shall be required to be received by the Secretary on or before December 31 of the preceding Year. In the case of a Director's initial election to the Board, the Election Form for the year of election shall be received not more than 30 days following his or her election and, unless received on the date of election, shall be effective only for Eligible Compensation earned after receipt of the Election Form. With respect to the period May 1, 1998 through December 31, 1998, an Election Form shall be required to be received by the Secretary on or before April 15, 1998, and such Election Form shall be effective only for Eligible Compensation earned during that period and shall be only for the purpose of deferring compensation not deferred pursuant to a previous election.

Section 7. Allocation of Balances in Previously Established Accounts.

At such time (on or before December 31, 1997) as the Secretary shall determine, each Director with a cash account established on his or her behalf under the Company's previous deferred compensation program for directors may elect, in such manner as may be prescribed by the Secretary, to have the balance in such previously established account credited to a cash account or a stock unit account or to any combination thereof. Any such election shall be irrevocable, and any cash account or stock unit account credited pursuant to such election shall for all purposes be deemed to have been established under this Plan.

Section 8. Form and Time of Distributions.

Distributions of amounts credited to each Director's Cash Account shall be made in cash. Distribution of units credited to each director's Stock Unit Account shall be made by issuing to such Director an equivalent number of shares of TI common stock; provided, however, that no fractional shares will be issued and any fractional unit will be distributed by payment of cash in the amount represented by such fractional unit based on the Fair Market Value on the date preceding the date of payment. Any shares of TI common stock distributed under the Plan shall consist of treasury shares. Except as otherwise hereinafter provided, distributions shall be made (a) on the first day of the month following such Director's termination of service on the Board for any reason other than death, or (b) at such later time as the Director has elected in accordance with the terms of this Plan. Notwithstanding the foregoing, an earlier distribution may be made, at the discretion of the Secretary, upon a finding that a Director is suffering a significant financial hardship caused by a recent event or events not within such Director's

control; provided, however, that in such event, the cash or shares distributed shall be limited to those amounts necessary to accommodate the financial hardship, as determined by the Secretary.

Section 9. Death of Director.

Notwithstanding the foregoing, in the event of the death of a Director prior to receipt by such Director of the full amount of cash and number of shares to be distributed to the Director, all such cash and/or shares will be distributed to the beneficiary or beneficiaries designated by the Director, or if no beneficiary has been designated, to the Director's estate as soon as practicable following the month in which the death occurred.

Section 10. Accounts Unsecured.

Until distributed, all amounts credited to any Cash Accounts or represented by units credited to any Stock Unit Account shall be property of TI, available for TI's use, and subject to the claims of TI's general creditors. The rights of any Director or beneficiary to distributions under this Plan are not subject to anticipation, alienation, sale, transfer, assignment, or encumbrance, and shall not be subject to the debts or liabilities of any Director or beneficiary.

Section 11. Certain Rights Reserved by TI.

TI reserves the right to suspend, modify or terminate this Plan at any time, and, in such event, shall have the right to distribute to each Director all amounts in such Director's Cash Account or shares of TI common stock equivalent to units in such Director's Stock Unit Account, including, in the case of Stock Unit Accounts, the right to distribute cash equivalent to the units in such Accounts.

Section 12. Certain Affiliations.

In the event that any Director terminates his or her membership on the Board and becomes affiliated with a government agency or with any private company or firm that the Board Organization and Nominating Committee believes to be in competition with TI, the Board may, at its discretion, require a distribution of all amounts in any Director's Cash Account or shares equivalent to units in such Director's Stock Unit Account.

Section 13. Administration and Interpretation of Plan.

The Secretary shall have full power and authority to construe, interpret and administer this Plan. The Secretary may issue rules and regulations for administration of the Plan. All decisions of the Secretary shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the directors. In the event of the absence or inability to act of the Secretary, any Assistant Secretary shall have the authority to act in his place.

Subject to the terms of the Plan and applicable law, the Secretary shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement relating thereto; (ii) establish, amend, suspend or

waive such rules and regulations and appoint such agents as the Secretary shall deem appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that the Secretary deems necessary or desirable for the administration of this Plan.

TEXAS INSTRUMENTS
STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS
As Adopted April 16, 1998

The purpose of the Texas Instruments Stock Option Plan for Non-Employee Directors (the "Plan") is to increase the proprietary and vested interest of the non-employee directors of Texas Instruments Incorporated (the "Company") in the growth and performance of the Company by granting such directors options to purchase shares of the common stock of the Company, $1.00 par value ("Shares").

Section 1. Administration.

The Plan shall be administered by the Secretary of the Company (the "Secretary"). Subject to the provisions of the Plan, the Secretary shall have full power and authority to construe, interpret and administer the Plan. The Secretary may issue rules and regulations for administration of the Plan. All decisions of the Secretary shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the directors. In the event of the absence or inability of the Secretary, any Assistant Secretary shall have the authority to act in his place.

Subject to the terms of the Plan and applicable law, the Secretary shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement relating to, or options to purchase common stock of the Company granted under, the Plan; (ii) establish amend, suspend or waive such rules and regulations and appoint such agents as the Secretary shall deem appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that the Secretary deems necessary or desirable for the administration of the Plan.

Section 2. Eligibility.

A member of the Board of Directors of the Company (the "Board") who is not an employee of the Company or its subsidiaries shall be eligible for grant of options under the Plan ("Eligible Director"). Any holder of an option granted hereunder shall hereinafter be referred to as a "Participant."

Section 3. Shares Subject to the Plan.

The Shares deliverable upon the exercise of options will be made available from treasury Shares.

Section 4. Option Grants.

Each individual who is an Eligible Director will be granted an option to purchase 5,000 Shares as of the date of each regular January meeting of the Compensation Committee of the Board or any successor committee (the "Compensation Committee") following the effective date of the Plan or, if no such January meeting is held, as of the date of the first meeting of the Compensation Committee during a calendar year. The options granted will be nonstatutory stock options not intended to qualify under Section 422 of the

Internal Revenue Code of 1986, as amended (the "Code") and shall have the following terms and conditions:

(a) Price. The Purchase price per share of Shares deliverable upon the exercise of each option shall be 100% of the Fair Market Value per share of the Shares on the date the option is granted. For purposes of this Plan, Fair Market Value shall be determined to be equal to the simple average of the high and low prices of the Shares on the date of grant (or, if there is no trading on the New York Stock Exchange on such date, then on the first previous date on which there is such trading) as reported in "New York Stock Exchange Composite Transactions" in "The Wall Street Journal," rounded upward to the next whole cent if such Fair Market Value should include a fraction of a cent.

(b) Payment. The Secretary shall determine the method or methods by which, and the form or forms, including, without limitation, cash, Shares, 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 to an option may be made or deemed to have been made.

(c) Exercisability and Term of Options. Subject to Section 4(d), options shall become exercisable in four equal annual installments commencing on the first anniversary date of the grant, provided the holder of such option remains an Eligible Director until such anniversary date, and shall be exercisable until ten years from the date of grant.

(d) Termination of Service as Eligible Director. The effect of a Participant's termination of service as a director of the Company shall be as follows:

(i) Termination for cause: All outstanding options held by the Participant shall be canceled immediately upon termination.

(ii) Death: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c), and shall be exercisable by such Participant's heirs.

(iii) Permanent disability: All outstanding options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 4(c).

(iv) Termination after 8 years of service: Any outstanding option held by the Participant for at least six months after the grant of such option shall continue to full term, becoming exercisable in accordance with Section 4(c).

(v) Termination by reason of ineligibility to stand for reelection under the Company's by-laws: Any outstanding option held by the Participant for at least six months after the grant of such option shall

continue to full term, becoming exercisable in accordance with Section 4(c).

(vi) Other: For any termination other than those specified above, all outstanding options held by the Participant shall be exercisable for 30 days after the date of termination, only to the extent that such options were exercisable on the date of termination, except as follows:

(A) If the Participant dies within 30 days after his or her termination, then such Participant's heirs may exercise the options for a period of up to one year after the Participant's death, but only to the extent any unexercised portion was exercisable on the date of termination.

(B) If the Participant's termination occurs within 30 days before the effective date of a Change in Control (as defined in Section 6), then the Change in Control will be deemed to have occurred first and the options shall be exercisable in accordance with Section 4(c).

(e) Non-transferability of Options. No option shall be transferable by a Participant except by will or by the laws of descent and distribution, and during the Participant's lifetime may be exercised only by Participant or, if permissible under applicable law, by the Participant's legal guardian or representative.

(f) Option Agreement. Each option granted hereunder shall be evidenced by an agreement with the Company which shall contain the terms and provisions set forth herein and shall otherwise be consistent with the provisions of the Plan.

Section 5. Adjustment of and Changes in Shares.

In the event that the Secretary 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, 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 Secretary 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 Secretary shall, in such manner as he or she may deem equitable, adjust any or all of (a) the number and type of Shares subject to outstanding options, and (b) the exercise price with respect to any option or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding option; provided, however, that no fractional Shares shall be issued or outstanding hereunder. Notwithstanding any such corporate transaction or event, no adjustment shall be made in the number of Shares subject to options to be granted to new directors who are elected after the occurrence of any such corporate transaction or event.

Section 6. Change of Control.

The provisions of Section 4(c) shall not apply and options outstanding under the Plan shall be exercisable in full if a Change in Control occurs. Change in Control means an event when (a) any Person, alone or together with

its Affiliates and Associates or otherwise, shall become an Acquiring Person otherwise than pursuant to a transaction or agreement approved by the Board of Directors of the Company prior to the time the Acquiring Person became such, or (b) a majority of the Board of Directors of the Company shall change within any 24-month period unless the election or the nomination for election by the Company's stockholders of each new director has been approved by a vote of at least a majority of the directors then still in office who were directors at the beginning of the period. For the purposes hereof, the terms Person, Affiliates, Associates and Acquiring Person shall have the meanings given to such terms in the Rights Agreement dated as of June 17, 1988 between the Company and Harris Trust and Savings Bank, successor in interest to First Chicago Trust Company of New York, (formerly Morgan Shareholder Services Trust Company), as in effect on the date hereof; provided, however, that if the percentage employed in the definition of Acquiring Person is reduced hereafter from 20% in such Rights Agreement, then such reduction shall also be applicable for the purposes hereof.

Section 7. No Rights of Stockholders.

Neither a Participant nor a Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company in respect of any shares purchasable upon the exercise of any option, in whole or in part, unless and until certificates for such shares shall have been issued.

Section 8. Plan Amendments.

The Board may amend, alter, suspend, discontinue or terminate the Plan without the consent of any stockholder or Participant or other person: provided, however, that no such action shall impair the rights under any option theretofore granted under the Plan and that, notwithstanding any other provision of the Plan or any option agreement, no such amendment, alteration, suspension, discontinuation or termination shall be made that would permit options to be granted with a per Share exercise price of less than the Fair Market Value of a Share on the date of grant thereof.

Section 9. Effective Date.

The Plan shall become effective on April 16, 1998. The Plan shall terminate April 16, 2003 unless the Plan is extended or terminated at an earlier date.

Section 10. 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.

Section 11. 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.

Section 12. Severability.

If any provision of the Plan or any option is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or option, or would disqualify the Plan or any option under any law deemed

applicable by the Board, 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 Board, materially altering the intent of the Plan or the option, such provision shall be stricken as to such jurisdiction, person or option, and the remainder of the Plan and any such option shall remain in full force and effect.

Section 13. No Right to Continued Board Membership.

The grant of options shall not be construed as giving a participant the right to be retained as a director of the Company. The Board may at any time fail or refuse to nominate a participant for election to the Board, and the stockholders of the Company may at any election fail or refuse to elect any participant to the Board free from any liability or claim under this Plan or any options.

Section 14. No Trust or Fund Created.

Neither the Plan nor any options 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 options, or Shares pursuant to options, from the Company pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

Exhibit 10(n)

ASSET AND STOCK PURCHASE AGREEMENT

dated as of

January 8, 2006

between

TEXAS INSTRUMENTS INCORPORATED

and

S&C PURCHASE CORP.

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ASSET AND STOCK PURCHASE AGREEMENT

AGREEMENT (this "**Agreement**") dated as of January 8, 2006 between Texas Instruments Incorporated, a Delaware corporation ("**Seller**"), and S&C Purchase Corp., a Delaware corporation ("**Buyer**").

W I T N E S S E T H :

WHEREAS, Buyer desires to purchase the Shares (as defined below) and the Purchased Assets (as defined below) and assume the Assumed Liabilities (as defined below) from Seller and its Subsidiaries, and Seller and its Subsidiaries desire to sell the Shares and the Purchased Assets and transfer the Assumed Liabilities to Buyer, upon the terms and subject to the conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Definitions.* (a) As used herein, the following terms have the following meanings:

"**Accounting Policies**" means GAAP, applied in a manner consistent with the accounting policies, principles, practices and methodologies used in the preparation of the Audited Balance Sheet.

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "**control**" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have correlative meanings.

"**Applicable Law**" means, with respect to any Person, any federal, state, local or foreign law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, determination, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"**Assignment and Assumption Agreement**" means an Assignment and Assumption Agreement between Buyer and Seller in substantially the form

attached hereto as Exhibit A with such changes as Buyer and Seller may agree upon, together with any other documents of conveyance entered into pursuant to Section 2.09(c)(vi) .

"**Audited Balance Sheet**" means the audited balance sheet of the Business as of December 31, 2004.

"**Balance Sheet Date**" means December 31, 2004.

"**Base Working Capital**" means $199,000,000.

"**Business**" means the Control Business and the Sensor Business. The Business does not include the RFID Business.

"**Business Day**" means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York and London, England are authorized or required by Applicable Law to close.

"**Business Employee**" means any employee of Seller or any of its Subsidiaries or Affiliates who is employed primarily in connection with the Business, (i) including, for the avoidance of doubt, the individuals named in Section 1.01(a)(i) of the

Disclosure Schedule, but (ii) excluding the individuals named in Section 1.01(a)(ii) of the Disclosure Schedule, and such employees of the Retained Businesses as Seller and Buyer may agree to treat as Business Employees prior to the Closing.

"**Business Intellectual Property Rights**" means the Business Patents and the Other Business Intellectual Property Rights.

"**Business Patents**" means the Patents listed in Section 2.02(h) of the Disclosure Schedule.

"**Closing Date**" means the date on which the Closing occurs. The Closing shall be deemed to occur at 12:01 a.m. on the date that is the Closing Date.

"**Code**" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"**Competition Laws**" means statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization, lessening of competition or restraint of trade.

"Consent" means any authorization, approval, order, license, qualification, permit, franchise, certification, waiver or other consent of any third Person or any Governmental Authority.

"**Control Business**" means the business conducted by the Controls business unit of Seller and Seller's Subsidiaries involving the design, development, sale, manufacturing and marketing of Control Products.

"**Control Products**" means (i) electromechanical products designed to control heat, current or arcing, including in commercial and residential heating and air conditioning systems, refrigeration appliances, lighting, aerospace or industrial products, and also including motor protectors, circuit breakers, lighting protection, arc-fault circuit protectors, precision switches, thermostats or semiconductor burn-in test sockets, (ii) electronic control modules or board level solutions in heating, ventilation, air conditioning or refrigeration systems, including for gas ignition, defrost control, electric heat, fan sequencing, system monitoring, or compressor control and protection or (iii) control products intended for applications addressed by products that are currently marketed or under development by the Controls business unit of Seller and its Subsidiaries.

"**Cross License Agreement**" means a Cross License Agreement between Buyer and Seller in the form attached hereto as Exhibit B.

"**Current Product**" means any (i) Sensor Product or Control Product, or any component thereof, that was manufactured, marketed, sold, offered for sale, distributed or otherwise transferred by the Business, or with respect to which the Business has substantially completed its development efforts, as of the Closing Date and (ii) future Sensor Product, Control Product or component that is an extension, modification, derivation, replacement or successor of such Sensor Product, Control Product or component and does not infringe or misappropriate Intellectual Property Rights of a third party in a manner that is materially different from its predecessor.

"**Disclosure Schedule**" means the disclosure schedule delivered by Seller to Buyer concurrently with the execution and delivery of this Agreement and attached hereto.

"**Economic Detriment**" means (i) any Tax, penalty, cost, expense or other adverse economic impact on Buyer or its Affiliates (including the Purchased Subsidiaries), except to the extent of invoiced out-of-pocket expenses for which Buyer is reimbursed by Seller on an after-tax basis, (ii) any restriction, reduction or other impairment of any Purchased Subsidiary's ability after the Closing Date directly or indirectly to dividend, distribute or otherwise repatriate cash (other than by reductions (but in any event not below zero) of statutory retained earnings accrued and available for distributions prior to the Closing Date) or (iii) prior to the Closing any change in current assets (except cash) or liabilities from those consistent with historical levels maintained in the ordinary course of business. Notwithstanding the foregoing, in connection with any transfer of Purchased Subsidiary Pre-Closing Cash pursuant to Section 2.06(a)(i) or 2.06(b)(ii), the

reduction in cash by the amount transferred shall not in and of itself be deemed an Economic Detriment.

"**Employee Plan**" means any "employee benefit plan", as defined in Section 3(3) of ERISA, and any employment, severance or similar contract, plan, arrangement or policy and each other plan or arrangement providing for cash or equity compensation, profit-sharing, incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), health or medical benefits, disability or sick leave benefits and post-employment or retirement, or other benefits, in each case which is maintained, sponsored, administered or contributed to by Seller or any Subsidiary of Seller (or any ERISA Affiliate of Seller or any Subsidiary of Seller) and (i) covers any current or former Business Employee who is based primarily in the United States, (ii) with respect to which any Purchased Subsidiary has any material current or future Liability or (iii) which would otherwise constitute an Assumed Liability.

"**Environmental Laws**" means any Applicable Law as in effect on or prior to the Closing Date relating to the environment, pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substances, wastes or materials or to public or workplace health or safety.

"**Environmental Liabilities**" means any and all Liabilities or commitments primarily arising in connection with or relating to the Business (as currently or previously conducted), the Purchased Assets, the Purchased Subsidiaries or any activities or operations occurring or conducted at the Real Property, which arise under or relate to any Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"**ERISA Affiliate**" of any entity means any other entity which, together with such entity, would be treated as a single employer under Section 414 of the Code.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended.

"**Excluded Environmental Liabilities**" means any Environmental Liabilities attributable or relating to, resulting from, or caused by (i) any real property or facility now or previously owned, leased or operated by the Purchased Subsidiaries or by Seller or any Affiliate of the Seller with respect to the Business (other than (A) the Real Property, (B) except as otherwise provided in clause (ii), the Kuala Lumpur, Malaysia facility currently shared by a Retained Business and the Business, but only to the extent arising out of the operation of the Business or (C) any other Purchased Asset, but only to the extent arising out of the operation

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of the Business); (ii) any Retained Business (including the Known Kuala Lumpur Contamination and any other Environmental Liabilities to the extent arising from the conduct of any Retained Business at any facility currently shared by such Retained Business and the Business); and (iii) the offsite treatment, storage, disposal or arrangement for disposal of hazardous substances, wastes or materials by Seller or any Affiliate of Seller with respect to the Business (including any such hazardous substances, wastes or materials generated in connection with operations upon the Real Property) or by any Purchased Subsidiary, in each case prior to the Closing.

"**Excluded Representations**" means, as to Seller or Buyer, as applicable, the representations set forth in Section 3.01 (*Corporate Existence and Power*), Section 3.02 (*Corporate Authorization*), Section 3.17 (*Finders' Fees*), Section 4.01 (*Corporate Existence and Power*), Section 4.02 (*Corporate Authorization*), Section 4.07 (*Finders' Fees*) and Section 8.01 (*Tax Matters*).

"**GAAP**" means generally accepted accounting principles in the United States.

"**Governmental Authority**" means any transnational, domestic or foreign federal, state or local, governmental authority, department, court, agency or official, including any political subdivision thereof and any arbitral body the decrees of which have the force of law.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Identified Environmental Liability**" means Environmental Liabilities arising out of those matters described in Section 3.20(b) of the Disclosure Schedule.

"**Indebtedness**" means (i) all obligations for borrowed money, (ii) all obligations evidenced by notes, bonds, debentures or

other instruments, (iii) all obligations under any hedging or swap obligation or other similar arrangement, (iv) all obligations (other than operating leases) secured by a Lien on Purchased Assets or Assets of a Purchased Subsidiary, other than a Lien described in clause (i), (iii) or (iv) of the definition of Permitted Liens, (v) all obligations for the deferred purchase price of property or services (other than current liabilities incurred in the ordinary course of business), (vi) all commitments by which a Person assures a creditor against loss (including contingent reimbursement obligations regarding letters of credit), (vii) all obligations under capitalized leases, (viii) all guarantees (other than product warranties made in the ordinary course of business), including guarantees of any items set forth in clauses (i) through (vii), and (ix) all outstanding prepayment premiums, if any, and accrued

interest, fees and expenses related to any of the items set forth in clauses (i) through (ix).

"**Intellectual Property Right**" means any Patent, trademark, service mark, all goodwill associated with each of such marks, trade name, trade dress, internet domain name, mask work, trade secret, copyright, know-how, software (including any registrations or applications for registration of any of the foregoing) or any other similar type of proprietary intellectual property right and the right to sue and recover for any past, present, or future infringements or misappropriations thereof.

"**International Plan**" means any employment, severance or similar contract, plan, arrangement or policy and each other plan or arrangement providing for cash or equity compensation, profit-sharing, incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), health or medical benefits, disability or sick leave benefits and post-employment or retirement benefits, in each case which is maintained, administered or contributed to by Seller or any Subsidiary of Seller (or any Affiliate of Seller or any Subsidiary of Seller) and (i) covers any current or former Business Employee who is based primarily in a country other than the United States, (ii) with respect to which any Purchased Subsidiary has any material Liability or (iii) which would otherwise constitute an Assumed Liability, and in any event is not an Employee Plan.

"**knowledge of Seller**," "**Seller's knowledge**" or any other similar knowledge qualification in this Agreement means to the actual knowledge, after reasonable inquiry of appropriate personnel (including members of the legal department), of Thomas Wroe, Jr., Gene A. Carlone, Martha N. Sullivan, Robert E. Kearney, Dick Dane, Jim Armstrong or Donna Kimmel.

"**Known Kuala Lumpur Contamination**" means conditions of contamination in the soil and groundwater identified prior to the date hereof at, on or under the Kuala Lumpur, Malaysia facility currently shared by a Retained Business and the Business.

"**Latest Balance Sheet**" means the unaudited balance sheet of the Business as of September 30, 2005.

"**Leased Real Property**" means all of Seller's and its Subsidiaries' right, title and interest in all leases, subleases, licenses, concessions and other agreements (the "**Leases**"), pursuant to which Seller or one of its Subsidiaries holds a leasehold or subleasehold estate in, or is granted the right to use or occupy, any land, buildings, structures, improvements, fixtures or other interest in real property used or held for use primarily by the Business, including the right to

all security deposits and other amounts and instruments deposited by or on behalf of Seller or one of its Subsidiaries thereunder.

"**Leasehold Improvements**" means all buildings, structures, improvements and fixtures located on any Leased Real Property which are owned by Seller or one of its Subsidiaries, regardless of whether title to such buildings, structures, improvements or fixtures are subject to reversion to the landlord or other third party upon the expiration or termination of the Lease for such Leased Real Property.

"**Liability**" means any liability, debt or obligation of any kind, character, or description, and whether known or unknown, accrued, absolute, contingent or otherwise, and regardless of when asserted or by whom.

"**License Side Agreement**" means the License Side Agreement dated the date hereof between Seller and Buyer.

"**Lien**" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, option, right of first refusal, right of first offer or encumbrance in respect of such property or asset.

"**Material Adverse Effect**" means a material adverse effect on the business, financial condition or results of operations of the Business, except for any such effect (i) to the extent relating to any Excluded Asset or Excluded Liability and for which Buyer, its Subsidiaries and the Purchased Subsidiaries will have no Liability following the Closing in accordance with the terms of this Agreement or (ii) resulting from or arising in connection with (A) the announcement of this Agreement or the consummation of the transactions specifically contemplated hereby, (B) changes or effects affecting generally the industries in which the Business operates, (C) changes in Applicable Laws or accounting standards, principles or interpretations of general application, (D) changes in economic, regulatory or political conditions generally or (E) changes attributable to actions or omissions of Buyer or any of its Affiliates, other than any action or omission specifically contemplated by this Agreement; *provided* that the changes or effects described in clauses (B) through (D) shall be disregarded only to the extent that the effect or change is not disproportionately adverse to the Business compared to other Persons operating in the industries in which the Business operates, taking into account the market position and geographic scope of the Business.

"**MEMS Product**" means a product integrating (i) sensors, actuators and/or micromechanical elements and (ii) electronics, on a common silicon substrate; wherein such product is fabricated using a combination of integrated circuit process sequences (*e.g.*, CMOS, Bipolar, or BICMOS processes), and at

least one substantial "micromachining" process step (wherein such "micromachining" process step is not a Semiconductor Process step).

"**1934 Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"**Other Business Intellectual Property Rights**" means all Intellectual Property Rights (other than Patents) owned by Seller or any of its Subsidiaries and developed by, or used or held for use exclusively in, the Control Business or the Sensor Business (including any invention disclosure which is not the subject of a filing with the United States Patent and Trademark Office (or foreign equivalent) as of the Closing Date).

"**Owned Real Property**" means all land, together with all buildings, structures, improvements and fixtures located thereon, and all easements and other rights and interests appurtenant thereto owned by Seller or one of its Subsidiaries and used or held for use primarily by the Business.

"**Patent**" means any issued patent or pending patent application (including any provisional patent application), and any and all divisionals, continuations, continuations-in-part, reissues, renewals, reexaminations, and extensions thereof, any counterparts claiming priority therefrom, utility models, patents of importation/confirmation, supplementary protection certificates, certificates of invention and similar statutory rights.

"**Person**" means an individual, corporation, partnership, limited liability company, association, joint venture, trust or other entity or organization, including a Governmental Authority.

"**Portfolio Cross-License**" means a non-exclusive Patent cross-license covering at least a majority of Seller's Patent portfolio and entered into in the normal course of Seller's Patent licensing business.

"**Pre-Closing Tax Period**" means (i) any Tax period ending on or before the Closing Date and (ii) with respect to a Tax period that commences before but ends after the Closing Date, the portion of such period up to and including the Closing Date.

"**Purchased Subsidiaries**" means Texas Instrumentos Eletronicos do Brasil Limitada; Texas Instruments (Changzhou) Co., Ltd.; Texas Instruments (China) Company Limited; Texas Instruments Korea Limited ("**TI Korea**") and Texas Instruments Italia S.p.A ("**TI Italia**").

"**Purchased Subsidiary Liability**" means any Liability of any Purchased Subsidiary which would fall within the definition of an Excluded Liability were it a Liability of the Seller or a Retained Subsidiary.

"**Replacement Guarantee**" means the guarantee to be entered into by Seller or a Subsidiary of Seller prior to the Closing Date in connection with the sale by Engineered Materials Solutions, Inc. of its contacts business to a joint venture of Checon Corporation and Shivalik Bimetal Controls Ltd., such guarantee to be fully secured by collateral of such joint venture (and include reasonable mechanics for the guarantor from time to time to verify the adequacy of the collateral securing its guarantee), limit the liability of the guarantor to $5 million and otherwise be in form and substance reasonably acceptable to Buyer (it being understood that Buyer shall be entitled to participate in the discussions with respect to the form and substance of such guarantee on and after the date hereof and prior to the execution thereof).

"**Representative**" means, with respect to any Person, such Person's directors, officers, employees, counsel, financial advisors, auditors, agents and other authorized representatives.

"**Retained Businesses**" means all businesses now, previously or hereafter conducted by Seller or any of its Subsidiaries other than the Business. The Retained Businesses include the RFID Business.

"**Retained Subsidiaries**" means all of the Subsidiaries of Seller other than the Purchased Subsidiaries.

"**RFID Business**" means the business of designing, developing, licensing, manufacturing, marketing and selling radio frequency identification systems as conducted by Seller and its Subsidiaries.

"**Securities Act**" means the Securities Act of 1933, as amended.

"**Semiconductor Activities**" means the design, development, use and distribution of (i) design, automation, application or other software embodied in or operating on or in any way relating to the manufacture, or use of, any Semiconductor Product and (ii) application notes, reference designs, emulators, evaluation modules (EVMs), and marketing materials directly relating to the sales, marketing or use of any Semiconductor Product.

"**Semiconductor Process**" means any system, method, process, software or hardware, material, structure, apparatus, device, composition, or improvement, for or relating to the manufacture, assembly or test of a semiconductor device.

"**Semiconductor Product**" means any semiconductor product or other product made using a Semiconductor Process, such as discretes, integrated circuits, MEMS Products and radio frequency identification products. Semiconductor Product also means chipsets or combinations of discretes and/or integrated circuits which are incorporated in board-level products, or in assemblies or systems, but in any event does not mean any portion of any such board-level product, assembly or system which is not a chipset, discrete or integrated circuit. Semiconductor Products includes any software which is incorporated in, or specific to any of the foregoing which are Semiconductor Products.

"**Sensor Business**" means the business conducted by the Sensor business unit of Seller and Seller's Subsidiaries involving the design, development, sale, manufacturing and marketing of Sensor Products (excluding the Tire Pressure Sensor Products).

"**Sensor Products**" means (i) pressure, position, force, gas or acceleration sensors or pressure switches, in each case for transportation, industrial or heating, ventilation, air conditioning or refrigeration applications or (ii) sensor products intended for applications that are addressed by products currently marketed or under development by the Sensors business unit of Seller and its Subsidiaries.

"**Shares**" means all of the outstanding shares of capital stock of, or other equity interests in, the Purchased Subsidiaries.

"**Subsidiary**" means, with respect to any Person, any entity of which, and only for so long as, securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"**Tax**" means (i) any tax, governmental fee or other like assessment or charge of any kind whatsoever (including withholding on amounts paid to or by any Person), together with any interest, penalty, addition to tax or additional amount imposed by any Governmental Authority (a "**Taxing Authority**") responsible for the imposition of any such tax (domestic or foreign), or (ii) Liability for the payment of any amounts of the type described in (i) as a result of being party to any agreement or any express or implied obligation to indemnify any other Person.

"**Tax Return**" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Transaction Documents" means this Agreement, the Assignment and Assumption Agreement, the Cross License Agreement, the License Side Agreement and the Transition Services Agreement.

"**Transferred Indebtedness**" means the Indebtedness listed in Section 1.01(b) of the Disclosure Schedule.

"**Transition Services Agreement**" means a Transition Services Agreement between Buyer and Seller in substantially the form attached hereto as Exhibit C with such changes as Buyer and Seller may agree upon.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	**Section**
Accounting Referee	2.08
Agreement	Preamble
Allocation Methodology	2.08
Alternative Transaction	5.06
Apportioned Obligations	8.02
Apportioned Ad Valorem Obligations	8.02
Assumed Liabilities	2.04
Baskets	11.03
Business Covered Employees	7.06
Buyer	Preamble
Buyer Basket	11.02
Buyer Cap	11.02
Buyer Indemnified Party	11.02
Buyer International Retirement Plan	9.02
Buyer Retiree Medical Plan	9.02
Buyer DB Plan	9.02
Buyer DC Plan	9.02
Buyer FSA Plan	9.02
Buyer Welfare Plan	9.02
Caps	11.03
Certifications	9.02
Closing	2.09
Closing Statement	2.10
Closing Working Capital	2.10
Competing Business	5.03
Confidentiality Agreement	6.01
Contracts	2.01
Controlling Party	11.03
Current Representation	7.07
Damages	11.02

Term	Section
DB Participants	9.02
Debt Commitment Letter	4.05
Debt Financing	4.05
Designated Representative	7.07
Disputed Item	2.10
Environmental Matters	11.03
Equity Commitment Letters	4.05
Equity Financing	4.05
Estimated Working Capital	2.09
EU Employment Regulations	9.02
Excluded Assets	2.03
Excluded Liabilities	2.05
Final Pension Amount	9.02
Final Working Capital	2.11
Financing	4.05
Have Made Costs	7.11
Indemnified Party	11.03
Indemnifying Party	11.03
Initial Pension Amount	9.02
International Transfer Amount	9.02
Non-Controlling Party	11.03
Other Apportioned Obligations	8.02
Permitted Liens	3.13
Post-Closing Tax Period	8.02
Potential Contributor	11.05
PBGC	9.02
Purchase Price	2.08
Purchased Assets	2.01
Purchased Subsidiary Pre-Closing Cash	2.06
Purchased Subsidiary Securities	3.06
Real Property	3.13
Registered Business Intellectual Property Rights	3.14
Relevant Period	9.02
Required Consents	3.05
Restructuring	2.06
Sample Working Capital Calculation	2.10
Seller	Preamble
Seller Cap	11.02
Seller DB Plan	9.02
Seller DC Plan	9.02
Seller Environmental Basket	11.02
Seller FSA Plan	9.02
Seller General Basket	11.02

Term	Section
Seller Indemnified Party	11.02
Seller International Retirement Plan	9.02
Seller Retiree Medical Plan	9.02
Seller Trademarks and Tradenames	2.03
Seller Welfare Plan	9.02
Specified Matters	11.02
Specified Policy	5.05
Supplemental Financial Statements	5.02
Third Party Buyers	11.03
Third Party Claim	11.03
Tire Pressure Sensor Products	5.03
Transfer Taxes	8.02
Transferred Cash	2.03
Transferred Employees	9.01
Transferred Employees (Non-U.S.)	9.01
Transferred Employees (U.S.)	9.01
VEBA	9.02
WARN Act	7.05
Warranty Breach	11.02

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof”, “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits and Schedules are to Articles, Sections, Exhibits and Schedules of this Agreement unless otherwise specified. All Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized terms used in any Exhibit or Schedule but not otherwise defined therein, shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”, whether or not they are in fact followed by those words or words of like import. When the words “not to be unreasonably withheld” are used in this Agreement, they shall be deemed to be followed by the phrase “, conditioned or delayed”, whether or not they are in fact followed by that phrase or a phrase of like import. “Writing”, “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any agreement or contract are to that agreement or contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof. References to any Person include the successors and permitted assigns of that Person.

References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. References to “law” or “laws” shall be deemed to include any and all Applicable Law.

ARTICLE 2

PURCHASE AND SALE

Section 2.01. *Purchase and Sale of the Shares*. Upon the terms and subject to the conditions of this Agreement, Seller agrees to, and to cause its Subsidiaries to, sell to Buyer, and Buyer agrees to purchase from Seller and its Subsidiaries, the Shares at the Closing.

Section 2.02 . *Purchase and Sale of the Purchased Assets.* Except as otherwise provided below, upon the terms and subject to the conditions of this Agreement, Buyer agrees to purchase from Seller and the Retained Subsidiaries and Seller agrees to, and to cause the Retained Subsidiaries to, sell, convey, transfer, assign and deliver, or cause to be sold, conveyed, transferred, assigned and delivered, to Buyer at the Closing, free and clear of any Liens, other than Permitted Liens, all of Seller's and the Retained Subsidiaries' right, title and interest in, to and under all of the assets, rights, properties and business, of every kind and description, owned, held or used primarily in the conduct of the Business by Seller or any of the Retained Subsidiaries as the same shall exist on the Closing Date, except for the Excluded Assets (the "**Purchased Assets**"). The Purchased Assets include all right, title and interest of Seller and the Retained Subsidiaries in, to and under the following that are owned, held or used primarily in the conduct of the Business:

(a) the Owned Real Property and the Leased Real Property (including all Leasehold Improvements thereon) listed in Section 3.13 of the Disclosure Schedule;

(b) all personal property and interests therein (including machinery, equipment, furniture, office furnishings and vehicles) located at (i) the Owned Real Property and Leased Real Property described in clause (a) above or (ii) that portion of any facility used by the Business other than such Owned Real Property or Leased Real Property;

(c) all raw materials, work-in-process, finished goods, supplies, spare parts, packaging and other inventories, except for work-in-process and finished goods produced by any Retained Business for which the Business has not yet taken ownership in accordance with the commercial arrangements relating thereto, but including work-in-process and finished goods produced by the Business for which the Retained

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Businesses have not yet taken ownership in accordance with the commercial arrangements relating thereto;

(d) all rights (including rights in respect of non-performance or breach) under all contracts, agreements, leases, licenses (excluding Portfolio Cross-Licenses), commitments, sales and purchase orders and other instruments, including all contracts listed in Section 3.10 of the Disclosure Schedule (collectively, the "**Contracts**"), including the capital lease relating to the Attleboro, Massachusetts facility;

(e) all trade accounts receivable and other receivables;

(f) all prepaid assets;

(g) all of the Shares;

(h) all Business Intellectual Property Rights;

(i) all licenses, permits, qualifications or other governmental authorizations transferable without consent of any Governmental Authority and such other licenses, permits, qualifications, or other governmental authorizations for which consent to transfer is obtained on or prior to (or, pursuant to Section 2.07, after) the Closing Date;

(j) all books, records, files and papers, whether in hard copy or computer format, including any information relating to any Tax imposed on the Purchased Assets or a Purchased Subsidiary;

(k) sales and promotional literature, customer lists, and other sales and marketing-related materials; and

(l) all claims, causes of action, judgments, reimbursements and demands.

Section 2.03. *Excluded Assets*. Buyer expressly understands and agrees that the following assets and properties of Seller and the Retained Subsidiaries (the "**Excluded Assets**") shall be excluded from the Purchased Assets:

(a) all of Seller's and the Retained Subsidiaries' cash and cash equivalents on hand and in banks (except for such amounts, if

any, as the parties may agree will be retained by the Purchased Subsidiaries and not constitute Purchased Subsidiary Pre-Closing Cash (the "**Transferred Cash**"));

(b) insurance policies relating to the Business and all claims, credits, causes of action or rights thereunder (except for Buyer's rights under Section 5.05);

(c) all Intellectual Property Rights (other than the Business Intellectual Property Rights), including the marks and names set forth in Section 2.03 of the Disclosure Schedule (the "**Seller Trademarks and Tradenames**"), and including all royalties and/or other license payments under any Portfolio Cross-License;

(d) all books, records, files and papers, whether in hard copy or computer format, prepared in connection with this Agreement or the transactions contemplated hereby (other than confidentiality agreements with any Person relating to the Business, copies of which will be made available to Buyer at the Closing (it being understood that the portion of such copies not relating to the Business may be redacted)) and all minute books and corporate records of Seller and the Retained Subsidiaries;

(e) the property and assets described in Section 2.03 of the Disclosure Schedule;

(f) all rights of Seller or any of the Retained Subsidiaries arising under the Transaction Documents or the transactions contemplated thereby;

(g) all Purchased Assets sold or otherwise disposed of in the ordinary course of business during the period from the date hereof until the Closing Date in compliance with the terms hereof; and

(h) all of Seller's and the Retained Subsidiaries' claims for and rights to receive Tax refunds relating to the Business arising on or prior to the Closing Date.

Section 2.04. *Assumed Liabilities*. Upon the terms and subject to the conditions of this Agreement, Buyer agrees, effective at the time of the Closing, to assume all contracts and Liabilities of Seller or any of the Retained Subsidiaries of any kind, character or description (whether known or unknown, accrued, absolute, contingent or otherwise) primarily relating to or arising out of the Purchased Assets or the conduct of the Business, except for the Excluded Liabilities (the "**Assumed Liabilities**"), including the following:

(a) all Liabilities set forth on the Latest Balance Sheet to the extent not satisfied prior to the Closing Date;

(b) subject to Section 2.07, all Liabilities of Seller or any of the Retained Subsidiaries arising under the Contracts;

(c) all Environmental Liabilities (other than the Excluded Environmental Liabilities);

(d) all Liabilities arising out of any action, suit, investigation or proceeding before any arbitrator or any Governmental Authority, including all actions, suits, investigations and proceedings listed in Section 3.11 of the Disclosure Schedule;

(e) all Liabilities relating to any products manufactured or sold on or prior to the Closing Date, including warranty obligations and product Liabilities;

(f) all Liabilities and commitments assumed by Buyer, or for which Buyer is otherwise responsible, pursuant to Section 8.02;

(g) the Transferred Indebtedness; and

(h) all Liabilities and commitments relating to current or former Business Employees, other than any such Liabilities and commitments that are expressly excluded pursuant to Section 2.05(d).

Buyer's obligations under this Section 2.04 shall not be subject to offset or reduction, whether by reason of any actual or

alleged breach of any representation, warranty or covenant contained in the Transaction Documents or any other agreement or document delivered in connection herewith or therewith or any right to indemnification hereunder or otherwise.

Section 2.05. *Excluded Liabilities*. Buyer is assuming only the Assumed Liabilities from Seller and the Retained Subsidiaries and is not assuming any other Liability of Seller or any of the Retained Subsidiaries of whatever nature, whether presently in existence or arising hereafter. All such other Liabilities shall be retained by and remain Liabilities of Seller or the Retained Subsidiaries, as applicable (all such Liabilities not being assumed being herein referred to as the "**Excluded Liabilities**"), including the following (which shall be Excluded Liabilities):

(a) all Liabilities to the extent arising out of or relating to the operation or conduct by Seller or any of its Subsidiaries of any Retained Business;

(b) all Liabilities to the extent arising out of or relating to any Excluded Asset;

(c) all Liabilities and commitments in respect of Taxes, other than those Liabilities and commitments for which Buyer is responsible pursuant to Section 8.02;

(d) all Liabilities and commitments relating to (i) current or former employees of Seller, any of the Purchased Subsidiaries or any of the Retained Subsidiaries other than, in each case, Business Employees, (ii) current or former Business Employees (A) that are expressly retained by Seller pursuant to Article 9 or Section 2.05(d) of the Disclosure Schedule or (B) for which a specific prepaid asset (*e.g.*, an insurance policy), if any, is not sold, conveyed, transferred, assigned or delivered to Buyer, subject to the terms and conditions of the applicable Employee Plan or International Plan (in the case of a Liability or commitment relating to an Employee Plan or International Plan); (iii) Business Employees who, as of the Closing Date, are on a leave of absence resulting from a reduction in force or a "bridging" of age and/or service credit for purposes of an Employee Plan; (iv) compensation deferred by Business Employees prior to the Closing Date; (v) in respect of former Business Employees, the Seller Supplemental Pension Plan and (vi) stock option and other equity-based compensation plans of Seller;

(e) all Indebtedness (other than the Transferred Indebtedness) including all Liabilities arising out of or relating to any guarantee or consignment arrangements involving Seller and Engineered Materials Solutions, Inc., other than the Replacement Guarantee;

(f) all obligations to any broker, finder or agent for any investment banking or brokerage fees, finders fees or commission relating to the transactions contemplated by this Agreement and any other fees and expenses for which Seller is responsible pursuant to Section 13.03;

(g) all indemnification obligations owed to any Person who is or was an officer or director of Seller or any Subsidiary prior to the Closing in respect of actions or omissions occurring prior to the Closing;

(h) all Liabilities incurred in connection with effecting the Restructuring (including Transfer Taxes and the cost of obtaining required consents from third parties);

(i) all Excluded Environmental Liabilities;

(j) all obligations under employee benefit arrangements, employment agreements or other similar arrangements which come due as a result of the transactions contemplated hereby, including any stay or transaction bonus; and

(k) all Liabilities arising out of intentional violations of Applicable Law that are punishable by a material criminal fine or imprisonment.

Section 2.06 . *Restructuring.* (a) Prior to the Closing, Seller shall cause:

(i) each Purchased Subsidiary to convey, transfer, assign and deliver to Seller or a Retained Subsidiary all of such

Purchased Subsidiary's right, title and interest in, to and under (A) the assets, properties and business, of every kind and description, that are not owned, held or used primarily in the conduct of the Business by such Purchased Subsidiary, including all right, title and interest of such Purchased Subsidiary in, to and under the assets and properties listed in Section 2.06(a)(i) of the Disclosure Schedule and (B) all cash and cash equivalents on hand and in banks as of the close of business on the Business Day immediately prior to the Closing Date except for any Transferred Cash (the "**Purchased Subsidiary Pre-Closing Cash**"). All such assets, properties and business shall be deemed to be Excluded Assets for all purposes of this Agreement. Notwithstanding anything to the contrary in this Section or elsewhere in this Agreement, prior to the Closing Seller shall not, and shall cause its Subsidiaries not to, directly or indirectly convey, transfer, assign or deliver, nor enter into any transaction or series of transactions having the purpose or effect of directly or indirectly transferring, dividending, distributing or otherwise repatriating, any Purchased Subsidiary Pre-Closing Cash, in each case to the extent such action or transaction would have any Economic Detriment;

(ii) all contracts and Liabilities of each Purchased Subsidiary of any kind, character or description (whether known or unknown, accrued, absolute, contingent or otherwise) that do not primarily relate to or arise out of the conduct of the Business or which are Purchased Subsidiary Liabilities, including all contracts and Liabilities listed in Section 2.06(a)(ii) of the Disclosure Schedule, to be assumed by Seller or a Retained Subsidiary. All of such contracts and Liabilities shall be deemed to be Excluded Liabilities for all purposes of this Agreement; and

(iii) each Purchased Subsidiary to transfer to Seller or a Retained Subsidiary (or otherwise terminate the employment of) any employee who is not a Business Employee. For the avoidance of doubt, all Liabilities and commitments relating to such employees shall be deemed to be Excluded Liabilities for all purposes of this Agreement.

(b) If the transactions contemplated by Section 2.06(a) (the "**Restructuring**") are not completed on or prior to the Closing Date, then

(i) the Closing shall nonetheless be consummated (unless the Restructuring has not been consummated with respect to TI Korea, in which case the Closing shall not be consummated until the Restructuring with respect to TI Korea has been completed) and the Shares transferred to Buyer, but if the Restructuring has not been completed with respect to TI Italia, then the Shares of TI Italia shall be retained by Seller and shall not be transferred to Buyer at the Closing;

(ii) each of Buyer and Seller shall, and shall cause its Subsidiaries to, use its reasonable efforts (but without the payment of money by Buyer) to complete the Restructuring as soon as reasonably practicable following the Closing Date, including Buyer causing the Purchased Subsidiaries to implement arrangements (such as, for example, payment of dividends or the making of intercompany loans) to facilitate the transfer of any remaining Purchased Subsidiary Pre-Closing Cash to Seller; *provided* that Buyer and its Affiliates (including the Purchased Subsidiaries) will not be required to take any action that would have an Economic Detriment. In addition, following the Closing Buyer shall, and shall cause the Purchased Subsidiaries to, hold all Purchased Subsidiary Pre-Closing Cash in segregated accounts (and provide Seller with monthly statements for such accounts promptly following receipt thereof) and take reasonable steps to ensure that other cash of the Business will not be comingled with the Purchased Subsidiary Pre-Closing Cash;

(iii) Seller shall receive the benefits of each Excluded Asset and bear the burdens of ownership of each Excluded Liability with respect to which the Restructuring has not been completed prior to the Closing from and including the Closing Date to and including the date on which the Restructuring is completed thereto (with any costs or expense associated with such arrangements incremental to what Buyer would bear had the Restructuring occurred at Closing to be borne by Seller);

(iv) if the Shares of TI Italia are not transferred to Buyer at the Closing in accordance with clause (i) above, (A) Buyer shall receive the benefits and bear the burdens of ownership of the Business to the extent conducted by TI Italia from and including the Closing Date to and including the date on which such Shares are so transferred to Buyer (with any costs or expense associated with such arrangements incremental to what Buyer would bear had the Restructuring occurred at the Closing to be borne by Seller) and (B) Seller shall transfer such Shares to Buyer (in the manner contemplated by Section 2.09(c)(v)) without the payment by Buyer of any additional consideration therefor promptly following the completion of the Restructuring with respect to TI Italia; and

(v) Seller and Buyer shall cooperate in a mutually agreeable manner and enter into such amendments to the Transaction Documents and additional agreements as may be reasonably necessary so as to implement the foregoing.

Section 2.07. *Limitation on Assignment of Purchased Assets.* Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any Purchased Asset or any right thereunder as to which the transfer or attempted assignment, without obtaining any Consent of, or other action by, any third party or any Governmental Authority, would constitute a breach or in any way adversely affect the rights of Buyer or Seller or any of their respective Affiliates thereunder or subject any of the foregoing to civil or criminal liability. Seller and Buyer will use their reasonable efforts (but without any payment of money by Buyer) to obtain the Consent of the other parties to any such Purchased Asset or any claim or right or any benefit arising thereunder for the assignment thereof to Buyer as Buyer may request. If such Consent is not obtained, or if an attempted assignment thereof would be ineffective or would adversely affect the rights of Seller or its Affiliates thereunder so that Buyer would not in fact receive all such rights, Seller and Buyer will cooperate in an arrangement reasonably acceptable to both parties under which Buyer would obtain the benefits and assume the obligations thereunder in accordance with this Agreement in the same manner as if such Purchased Asset were transferred to Buyer at the Closing, including subcontracting, sub-licensing, or sub-leasing to Buyer, or under which Seller would enforce for the benefit of Buyer, with Buyer assuming Seller's obligations, any and all rights of Seller or its Affiliates against a third party thereto (with any out-of-pocket incremental costs or expenses associated with such arrangements to be borne by Seller). Seller will promptly pay to Buyer when received all monies received by Seller under any Purchased Asset or any claim or right or any benefit arising thereunder, except to the extent the same represents an Excluded Asset. Seller will continue to use its reasonable efforts to obtain any such required Consent or approval, and promptly upon receipt of such Consent will transfer and assign such Purchased Asset and such rights therein to Buyer without the payment by Buyer of any additional consideration.

Section 2.08. *Purchase Price; Allocation of Purchase Price.* (a) The purchase price for the Purchased Assets and the Shares (the "**Purchase Price**") is $3,000,000,000 (three billion dollars) in cash. The Purchase Price shall be paid as provided in Section 2.09 and shall be subject to adjustment as provided in Sections 2.09 and 2.11. Seller shall be treated as receiving a portion of the Purchase Price as agent for its Affiliates actually selling the Purchased Assets and the Shares consistent with the allocation of the Purchase Price pursuant to the Allocation Statement.

(b) As soon as practicable after the Closing, Buyer shall deliver to Seller a statement (the "**Allocation Statement**"), allocating the Purchase Price (plus Assumed Liabilities, to the extent properly taken into account under Section 1060 of the Code) among the Purchased Assets and the Shares in accordance with Section 1060 of the Code and the principles and methodology set forth and illustrated in Section 2.08 of the Disclosure Schedule (the "**Allocation Methodology**"); *provided* that the parties may agree to amend or adjust such methodology to the extent that the parties mutually determine necessary to properly reflect the fair market value of the Purchased Assets and the Shares. If within 10 days after the delivery of the Allocation Statement Seller notifies Buyer in writing that Seller objects to the allocation set forth in the Allocation Statement because it is inconsistent with the Allocation Methodology, Buyer and Seller shall use their best efforts to revise the allocation specified in the Allocation Statement to the mutual satisfaction of Buyer and Seller within 20 days. In the event that Buyer and Seller are unable to resolve such dispute within 20 days, Buyer and Seller shall jointly retain Deloitte & Touche LLP (the "**Accounting Referee**") to resolve the disputed items and the Accounting Referee shall determine an allocation that is most consistent with the Allocation Methodology. Upon resolution of the disputed items, the allocation reflected on the Allocation Statement shall be adjusted to reflect such resolution. The costs, fees and expenses of such Accounting Referee shall be borne equally by Buyer and Seller. If any Taxing Authority or other Governmental Authority requires a third party appraisal of all or part of the Purchased Assets or the Shares, Buyer shall bear the responsibility for obtaining such appraisal and the allocation set forth on the Allocation Statement shall be adjusted to the extent necessary to reflect the results of such appraisal.

(c) Seller and Buyer agree to (i) be bound by the Allocation Statement (as it may be adjusted as provided in Section 2.08(b)) and (ii) act in accordance with the allocation established pursuant to Section 2.08(b) in the preparation, filing and audit of any Tax return (including filing Form 8594 with its federal income Tax return for the taxable year that includes the date of the Closing).

(d) If an adjustment is made with respect to the Purchase Price pursuant to Section 2.11, the Allocation Statement shall be

adjusted by mutual agreement of the parties in accordance with Section 1060 of the Code and the Allocation Methodology. In the event that an agreement is not reached within 20 days after the determination of Final Working Capital, any disputed items shall be resolved in the manner described in Section 2.08(b) . Buyer and Seller agree to file any additional information return required to be filed pursuant to Section 1060 of the Code and to treat the Allocation Statement as adjusted in the manner described in Section 2.08(b).

(e) Not later than 30 days prior to the filing of their respective Forms 8594 relating to this transaction, each party shall deliver to the other party a copy of its Form 8594.

Section 2.09. *Closing*. (a) The closing (the "**Closing**") of the purchase and sale of the Shares and the Purchased Assets and the assumption of the Assumed Liabilities hereunder shall take place at the offices of Davis Polk & Wardwell, 450 Lexington Avenue, New York, New York, as soon as possible, but in no event later than five Business Days, after satisfaction (or, to the extent permitted by Applicable Law, waiver) of the conditions set forth in Article 10 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the fulfillment or, to the extent permitted by Applicable Law, waiver of those conditions), or at such other time or place as Buyer and Seller may agree.

(b) At least five Business Days prior to the Closing Date, Seller shall deliver to Buyer a certificate setting forth Seller's good faith estimate of Closing Working Capital (such estimate, the "**Estimated Working Capital**"); *provided* that Estimated Working Capital shall not in any event exceed $200,000,000.

(c) At the Closing:

(i) Buyer shall deliver to Seller, in immediately available funds by wire transfer to an account or accounts designated by Seller by notice to Buyer not later than two Business Days prior to the Closing Date, an amount equal to the Purchase Price (A) *plus*, as an adjustment to the Purchase Price, if Estimated Working Capital exceeds Base Working Capital, the amount of such excess or (B) *minus*, as an adjustment to the Purchase Price, if Base Working Capital exceeds Estimated Working Capital, the amount of such excess;

(ii) Seller and Buyer shall enter into the Transaction Documents (other than this Agreement and the License Side Agreement);

(iii) Seller shall, or shall cause its Subsidiaries to, deliver to Buyer certificates for the Shares (to the extent that the Shares are represented by certificates) duly endorsed or accompanied by stock powers duly endorsed in blank, with any required transfer stamps affixed thereto;

(iv) Seller shall deliver certificates, in form and substance reasonably satisfactory to Buyer, from Seller and its relevant Subsidiaries, duly executed and acknowledged, certifying that the transactions contemplated by this Agreement are exempt from withholding under Section 1445 of the Code;

(v) Seller shall deliver an opinion of its internal counsel, which opinion shall be in customary form, subject to customary assumptions and exceptions and otherwise reasonably acceptable to Buyer, with respect to the corporate existence of Seller and the corporate authorization of Seller and non-contravention of Seller's organizational documents with respect to the execution, delivery and performance by Seller of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby; and

(vi) Seller shall, or shall cause its Subsidiaries to, deliver to Buyer such deeds, bills of sale, endorsements, consents, assignments and other good and sufficient instruments of conveyance and assignment as the parties and their respective counsel shall deem reasonably necessary to vest in Buyer all right, title and interest in, to and under the Purchased Assets and to evidence Buyer's assumption of the Assumed Liabilities.

Section 2.10. *Closing Statement*. (a) As promptly as practicable, but no later than 75 days, after the Closing Date, Seller will

cause to be prepared and delivered to Buyer a closing statement (the "**Closing Statement**") prepared in accordance with the Accounting Policies, with such adjustments as are set forth in Section 2.10(a) of the Disclosure Schedule, and setting forth the current portion of a balance sheet for the Business as of the Closing and Seller's calculation of Closing Working Capital as of the close of business on the date immediately preceding the Closing Date. "**Closing Working Capital**" means, with respect to the Business, the excess of (i) Transferred Cash, accounts receivable, inventory and prepaid expenses and other current assets of the Business that constitute either Purchased Assets or assets of the Purchased Subsidiaries that are not Excluded Assets, *less* (ii) accounts payable, accrued expenses and other current liabilities of the Business that constitute (A) Assumed Liabilities, (B) payables, expenses or liabilities of the Purchased Subsidiaries that are not Excluded Liabilities or Purchased Subsidiary Liabilities or (C) payables, expenses or Liabilities for social security and other employee taxes and value added, sale and use taxes of the Purchased Subsidiaries, excluding the effect (including the Tax effect) of any act, event or transaction after the Closing not in the ordinary course of business of the Business and any provision for deferred income Tax assets or liabilities. Section 2.10(a) of the Disclosure Schedule (the "**Sample Working Capital Calculation**") sets forth, for illustrative purposes only, an example of the calculation of Closing Working Capital as of December 31, 2004.

(b) If Buyer disagrees with Seller's calculation of Closing Working Capital delivered pursuant to Section 2.10(a), Buyer may, within 45 days after delivery of the documents referred to in Section 2.10(a), deliver a notice to Seller disagreeing with such calculation and which specifies Buyer's calculation of such amount and, in reasonable detail, Buyer's grounds for such disagreement. Any such notice of disagreement shall specify those items or amounts as to which

Buyer disagrees (each, a "**Disputed Item**"), and Buyer shall be deemed to have agreed with all other items and amounts contained in the Closing Statement and the calculation of Closing Working Capital delivered pursuant to Section 2.10(a).

(c) If a notice of disagreement shall be duly delivered pursuant to Section 2.10(b), Buyer and Seller shall, during the 15 days following such delivery, use their reasonable efforts to reach agreement on the Disputed Items or amounts in order to determine Closing Working Capital. If Buyer and Seller are unable to reach such agreement during such period, they shall promptly thereafter jointly retain the Accounting Referee and cause the Accounting Referee promptly to review this Agreement and the Disputed Items for the purpose of calculating Closing Working Capital. In making such calculation, the Accounting Referee shall consider only the Disputed Items, and the determination of the Accounting Referee with respect to each Disputed Item shall be an amount within the range established with respect to such Disputed Item by Seller's calculation delivered pursuant to Section 2.10(a), on the one hand, and Buyer's calculation delivered pursuant to Section 2.10(b), on the other hand. The Accounting Referee shall deliver to Buyer and Seller, as promptly as practicable, a report setting forth such calculation. Such report shall be final and binding upon Buyer and Seller (absent manifest error). The cost of such review and report shall be borne (i) by Seller if the difference between Final Working Capital and Closing Working Capital as set forth in Seller's calculation of Closing Working Capital delivered pursuant to Section 2.10(a) is greater than the difference between Final Working Capital and Closing Working Capital as set forth in Buyer's calculation of Closing Working Capital delivered pursuant to Section 2.10(b), (ii) by Buyer if the first such difference is less than the second such difference and (iii) otherwise equally by Buyer and Seller.

(d) Buyer and Seller agree that they will cooperate and assist in the preparation of the Closing Statement and the calculation of Closing Working Capital and in the conduct of the reviews referred to in this Section 2.10, including by making available to the other party and its Representatives, to the extent reasonably requested, reasonable access to books, records, work papers, personnel and Representatives in connection with such party's review and preparation of the Closing Statement. If Seller fails to substantially comply in a timely manner with requests made by Buyer pursuant to the immediately preceding sentence, the 45-day objection period referred to in Section 2.10(b) shall be extended for such period of time as is reasonably necessary to enable Buyer to complete its review of the Closing Statement.

Section 2.11. *Adjustment of Purchase Price*. (a) If Estimated Working Capital exceeds Final Working Capital, Seller shall pay to Buyer, as an adjustment to the Purchase Price, in the manner and with interest as provided in Section 2.11(b), the amount of such excess. If Final Working Capital exceeds Estimated Working Capital, Buyer shall pay to Seller, in the manner and with

interest as provided in Section 2.11(b), the amount of such excess. "**Final Working Capital**" means Closing Working Capital (i) as shown in Seller's calculation delivered pursuant to Section 2.10(a) if no notice of disagreement with respect thereto is duly delivered pursuant to Section 2.10(b); or (ii) if such a notice of disagreement is delivered, (A) as agreed by Buyer and Seller pursuant to Section 2.10(c) or (B) in the absence of such agreement, as shown in the Accounting Referee's calculation delivered pursuant to Section 2.10(c); *provided* that in no event shall Final Working Capital be more than Seller's calculation of Closing Working Capital delivered pursuant to Section 2.10(a) or less than Buyer's calculation of Closing Working Capital delivered pursuant to Section 2.10(b).

(b) Any payment pursuant to Section 2.11(a) shall be made at a mutually convenient time and place within 10 days after Final Working Capital has been determined by delivery by Buyer or Seller, as the case may be, by wire transfer of immediately available funds to such account or accounts of such other party as may be designated by such other party. The amount of any payment to be made pursuant to this Section 2.11 shall bear interest from and including the Closing Date to but excluding the date of payment at a rate per annum equal to the Prime Rate as published in *The Wall Street Journal* in effect as of the Closing Date. Such interest shall be payable at the same time as the payment to which it relates and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the Disclosure Schedule, Seller represents and warrants to Buyer, as of the date hereof and as of the Closing, that:

Section 3.01. *Corporate Existence and Power*. Seller is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on the Business as now conducted.

Section 3.02. *Corporate Authorization*. The execution, delivery and performance by Seller of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby are within Seller's corporate powers and authority and have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been duly and validly executed and delivered by Seller and constitutes a valid and binding agreement of Seller. Each other Transaction Document will be duly and validly executed by Seller at or prior to the Closing and, upon such execution and delivery by Seller

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and the due and valid execution and delivery of such Transaction Document by each other party thereto, will constitute a valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

Section 3.03. *Governmental Authorization*. The execution, delivery and performance by Seller of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby require no action by or in respect of, or filing with, any Governmental Authority other than (i) compliance with any applicable requirements of the HSR Act, any other Competition Laws and the 1934 Act and (ii) any such action or filing as to which the failure to make or obtain would not be material to the Business.

Section 3.04. *Noncontravention*. The execution, delivery and performance by Seller of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby do not and will not (i) violate the certificate of incorporation or bylaws of Seller or any Subsidiary, (ii) assuming compliance with the matters referred to in Section 3.03, violate any Applicable Law in any material respect, (iii) assuming the obtaining of all Required Consents, constitute a default under or give rise to any right of termination, cancellation or acceleration of any right or obligation or to a loss of any benefit relating to the Business to which Seller or any of its Subsidiaries is entitled under any provision of any agreement or other instrument binding upon Seller or any of its Subsidiaries, except for such matters as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (iv) result in the creation or imposition of any Lien on any Purchased Asset, except for Permitted Liens.

Section 3.05. *Required Consents*. Section 3.05 of the Disclosure Schedule sets forth each agreement required to be set forth in Section 3.10(a) of the Disclosure Schedule requiring a consent or other action by any Person as a result of the execution, delivery and performance of this Agreement (the "**Required Consents**").

Section 3.06 . *Purchased Subsidiaries.* (a) Each Purchased Subsidiary is duly organized and validly existing under the laws of its jurisdiction of organization and has all organizational powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

(b) All of the Shares are owned beneficially and of record by Seller and its Subsidiaries, free and clear of any Lien, and Seller or its Subsidiaries, as applicable, will transfer and deliver to Buyer at the Closing valid title to the Shares free and clear of any Lien. There are no outstanding (i) securities of Seller or any Subsidiary convertible into or exchangeable for shares of capital stock or voting securities of any Purchased Subsidiary or (ii) options or other rights to

acquire from Seller or any Purchased Subsidiary, or other obligation of Seller or any Subsidiary to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of any Purchased Subsidiary (the items in clauses 3.06(b)(i) and 3.06(b)(ii) being referred to collectively as the "**Purchased Subsidiary Securities**"). There are no outstanding obligations of Seller or any Subsidiary to repurchase, redeem or otherwise acquire any outstanding Purchased Subsidiary Securities. No applicable securities law was violated in connection with the offering, sale or issuance of the Shares to Seller or any of its Subsidiaries. None of the Shares have been issued in violation of, and none are subject to, any purchase option, call, right of first refusal, preemptive, subscription, or other similar right. Neither the Seller nor any of its Subsidiaries is party to any arrangement granting to any Person any stock appreciation, phantom stock or other similar right with respect to the Shares or the Purchased Subsidiaries.

Section 3.07. *Financial Statements*. The audited balance sheets as of December 31, 2003 and December 31, 2004 and the related audited statements of income and cash flows for the years ended December 31, 2003 and December 31, 2004, and the unaudited interim balance sheet as of September 30, 2005 and the related unaudited interim statements of income and cash flows for the nine months ended September 30, 2005 for the Business, true and complete copies of which are set forth in Section 3.07 of the Disclosure Schedule, together with the Supplemental Financial Statements delivered pursuant to Section 5.02(a), fairly present, in conformity with GAAP applied on a consistent basis and the books and records of the Business (except as may be indicated in the notes thereto), the financial position of the Business as of the dates thereof and its results of operations and cash flows for the periods then ended (subject to normal year-end adjustments and the absence of notes in the case of any unaudited interim financial statements, none of which would be, individually or in the aggregate, material).

Section 3.08. *Absence of Certain Changes*. Since the Balance Sheet Date, the Business has been conducted in the ordinary course consistent with past practices and there has not been:

(a) any event, occurrence or development which, individually or in the aggregate, has had or would reasonably be expected to have a Material Adverse Effect;

(b) any incurrence, assumption or guarantee by Seller or any of its Subsidiaries of any Indebtedness with respect to the Business other than in the ordinary course of business consistent with past practices;

(c) any creation or other incurrence of any Lien on any material Purchased Asset or any material asset of any Purchased Subsidiary other than Permitted Liens;

(d) any transaction or commitment made, or any contract or agreement entered into, by Seller or any of its Subsidiaries relating to and material to the Business, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by the Transaction Documents;

(e) any material change in any method of accounting or accounting practice by Seller or any of its Subsidiaries with respect to the Business except for any such change required by reason of a concurrent change in GAAP;

(f) any (i) employment, deferred compensation, severance, retirement or other similar agreement entered into with any (A) executive Business Employee or (B) any non-executive Business Employee whose annual base salary exceeds $125,000 (or any amendment to any such existing agreement), (ii) grant of any severance or termination pay to any such Business Employee

or (iii) increase in compensation payable to any such Business Employee, in each case for non-executive Business Employees other than in the ordinary course of business consistent with past practices;

(g) any material damage, casualty, or loss with respect to any of the Purchased Assets in excess of $3,000,000, other than those covered by insurance;

(h) any sale, transfer, lease, license, or other disposal of any assets of the Business or of any Purchased Subsidiary for an amount in excess of $3,000,000, other than the sale of inventory and obsolete equipment in the ordinary course of business consistent with past practice;

(i) any material reduction in capital expenditures relative to the capital expenditure budget in a manner inconsistent with past practices;

(j) any acceleration of collection of accounts receivable or delaying of payment of accounts payable, in each case in any material respect and other than in the ordinary course of business consistent with past practice;

(k) any extension of Indebtedness to any Person in connection with the Business in excess of $5,000,000 in the aggregate other than the creation of accounts receivable in the ordinary course of Business; or

(l) any amendment, termination, cancellation, or compromise or any material claims relating to the Business, or waiver of any right that is material to the Business.

Section 3.09. *No Undisclosed Material Liabilities.* There are no Liabilities of the Seller or its Subsidiaries (including the Purchased Subsidiaries) relating to or arising out of the Purchased Assets or the conduct of the Business, that in each case would constitute Assumed Liabilities at the Closing or any Purchased Subsidiary Liability, of any kind, other than:

(a) Liabilities provided for in the Latest Balance Sheet or disclosed in the notes thereto;

(b) Liabilities disclosed in the Disclosure Schedule;

(c) Liabilities arising in the ordinary course of business in accordance with the terms of any contract or agreement binding upon the Business;

(d) Liabilities (other than for tort) incurred in the ordinary course of business since the date of the Latest Balance Sheet; and

(e) other undisclosed Liabilities which, individually or in the aggregate, are not material to the Business;

provided that Seller shall have no liability under this Section 3.09 with respect to any subject matter as to which another Section in this Article 3 (other than Section 3.11) contains a specific representation.

Section 3.10. *Material Contracts*. (a) With respect to the Business, neither Seller nor any of its Subsidiaries is a party to or bound by:

(i) any lease (whether of real or personal property) requiring (A) annual rentals of $5,000,000 or more or (B) aggregate payments by or to Seller and its Subsidiaries of $10,000,000 or more, in the case of each of clauses (A) and (B) that cannot be terminated on not more than 120 days' notice without payment by any of Seller or its Subsidiaries of any material penalty;

(ii) except for the agreements described in clause (iii) below, any agreement for the purchase of materials, supplies, goods, services, equipment or other assets, or any other agreement under which either (A)

since January 1, 2005 there have been payments to or by Seller or any of its Subsidiaries of $5,000,000 or more or (B) aggregate payments to or by Seller or any of its Subsidiaries of $10,000,000 or more are required, in each case that cannot be terminated on not more than 120 days' notice without payment by Seller or any of its Subsidiaries of any material penalty;

(iii) except for the agreements described in clause (ii) above, any sales, distribution or other similar agreement providing for the sale to or by Seller or any of its Subsidiaries of materials, supplies, goods, services, equipment or other assets under which since January 1, 2005 there have been payments by or to Seller or any of its Subsidiaries of $5,000,000 or more;

(iv) any material partnership, joint venture or other similar agreement or arrangement;

(v) any agreement relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise) or any assets involving consideration in excess of $5,000,000, except for purchases of inventory, capital expenditures or sales of inventory or obsolete equipment, in each case in the ordinary course of business consistent with past practices;

(vi) any agreement relating to the incurrence of Indebtedness, except any such agreement (A) with an aggregate outstanding principal amount not exceeding $5,000,000 or (B) entered into subsequent to the date of, and not in violation of, this Agreement;

(vii) any material agreement between the Business on the one hand, and other business units of Seller or any Affiliate of Seller, on the other hand, that will not be terminated at or prior to the Closing without creation of any liability that would be an Assumed Liability;

(viii) any employment, deferred compensation, severance, retirement or other similar agreement entered into with any executive Business Employee or any other Business Employee whose annual base salary exceeds $125,000;

(ix) any agreement relating to the extension of Indebtedness to, or the making of an equity investment in, any Person, in each case in excess of $5 million in the aggregate, other than the creation of accounts receivable in the ordinary course of business;

(x) any agreement that limits in any material respect the freedom of the Business to compete in any line of business or with any Person or in any area, other than confidentiality agreements entered into in the ordinary course of business consistent with past practice; or

(xi) any other agreement not required to be disclosed pursuant to clauses (i) through (x) above the termination or lapse of which would reasonably be expected to have a Material Adverse Effect.

(b) Each Contract required to be set forth in Section 3.10 of the Disclosure Schedule is a valid and binding agreement of Seller or its applicable Subsidiary, and, to the knowledge of Seller, the other parties thereto and is in full force and effect. None of Seller or any of its Subsidiaries or, to the knowledge of Seller, any other party thereto is in default or breach in any respect under the terms of any such Contract, except for any such defaults or breaches which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.11. *Litigation*. There is no action, suit, investigation or proceeding pending by or against, or to the knowledge of Seller, threatened by or against or affecting, the Business or any Purchased Asset or asset of a Purchased Subsidiary before any arbitrator or any Governmental Authority, which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and neither Seller nor its Subsidiaries is bound by any outstanding material order, injunction, judgment, arbitration award, or ruling that is material to the Business.

Section 3.12. *Compliance with Laws and Court Orders*. Neither Seller nor any of its Subsidiaries is in, or has during the previous three years been in, violation of any Applicable Law relating to the Purchased Assets, the Purchased Subsidiaries or the conduct of the Business, except for violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

Section 3.13. *Properties; Liens*. (a) Section 3.13 of the Disclosure Schedule lists the street addresses of all Owned Real Property and all Leased Real Property (the "**Real Property**").

(b) Seller or a Subsidiary of Seller, as the case may be, has good and, subject to Permitted Liens, marketable title to all Owned Real Property and all Leasehold Improvements and a valid leasehold interest in all Leased Real Property. Seller or a Subsidiary of Seller, as the case may be, has good and marketable title, or a valid leasehold interest in, all Purchased Assets and all assets of the Purchased Subsidiaries which constitute personal property, except for properties and assets sold since the

Balance Sheet Date in the ordinary course

of business consistent with past practices or where the failure to have such good title or valid leasehold interests would not, be material to the Business.

(c) No Purchased Asset or asset of a Purchased Subsidiary is subject to any Lien, except for:

(i) Liens disclosed in Section 3.13 of the Disclosure Schedule;

(ii) Liens disclosed on the Latest Balance Sheet or notes thereto or securing liabilities reflected on the Latest Balance Sheet or notes thereto;

(iii) Liens for Taxes, assessments and similar charges that are not yet due or are being contested in good faith;

(iv) mechanic's, materialman's, carrier's, repairer's and other similar Liens arising or incurred in the ordinary course of business for amounts that are not yet due and payable or are being contested in good faith; or

(v) other Liens that do not materially interfere with the use of any Owned Real Property or any other asset that is material to the Business (clauses (i) - (v) of this Section 3.13(c) are, collectively, the "**Permitted Liens**").

(d) All of the Purchased Assets and all assets of the Purchased Subsidiaries are in good operating condition and repair, ordinary wear and tear excepted, other than such states of disrepair which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.14. *Intellectual Property*. (a) Section 3.14(a) of the Disclosure Schedule contains a list of all registrations and applications for registration included in the Business Intellectual Property Rights (the "**Registered Business Intellectual Property Rights**") and all material licenses (other than the Portfolio Cross-Licenses) or other material agreements relating to the Business Intellectual Property Rights that are included in the Purchased Assets.

(b) (i) Seller or a Subsidiary of Seller owns or has a valid right to use the Business Intellectual Property Rights, (ii) no proceedings have been instituted, are pending or, to the knowledge of Seller, threatened which challenge any rights in respect of any of the Business Intellectual Property Rights or the validity thereof or assert that the operation of the Business infringes the Intellectual Property Rights of any other Person, and (iii) none of the Business Intellectual Property Rights, as used by Seller or its Subsidiaries, or the conduct of the Business as it is currently conducted by Seller or its Subsidiaries infringes upon

the Intellectual Property Rights (other than Patents) of others or, to the knowledge of Seller, the Patents of others.

(c) No Business Intellectual Property Right is subject to any outstanding judgment, injunction, order, decree or agreement restricting the use thereof by Seller (or Buyer, to Seller's knowledge) with respect to the Business or restricting the licensing (except for such restrictions as exist by reason of the Portfolio Cross-Licenses and the Cross-License Agreement) thereof by Seller (or Buyer, to Seller's knowledge) to any third party.

(d) The Business Intellectual Property Rights together with the Intellectual Property Rights licensed to Buyer pursuant to the Cross License Agreement constitute all of the Intellectual Property Rights other than Patents and, to the knowledge of Seller, all Patents, used by the Business as currently conducted by Seller and its Subsidiaries and, together with those rights and services to be provided by Seller to Buyer pursuant to the Transition Services Agreement, are Intellectual Property Rights other than Patents and, to the knowledge of Seller, Patents sufficient for Buyer to conduct the Business as currently conducted.

Section 3.15. *Sufficiency of Purchased Assets.* The Purchased Assets together with the property and assets of the Purchased Subsidiaries (other than those that Seller contemplates transferring out of a Purchased Subsidiary pursuant to Section 2.06(a)(i)) constitute all of the property and assets (tangible and intangible, but excluding all Intellectual Property Rights) used or held for use primarily in the conduct of the Business by Seller or any of its Subsidiaries as it is conducted as of the date hereof except

for the Excluded Assets, and, together with the services, occupancy and other rights to be provided to Buyer pursuant to the Transition Services Agreement, are adequate in all material respects for Buyer to conduct the Business as currently conducted by Seller and its Subsidiaries. No representations or warranties are made under this Section 3.15 with respect to Intellectual Property Rights, which are exclusively the subject of Section 3.14. For purposes of Article 11, the accuracy of the representations and warranties in Section 3.14(d) and this Section 3.15 shall be determined without exception or carve-out for the failure to obtain any Consent from any third party or Governmental Authority, whether or not the requirement therefor is disclosed in the Disclosure Schedule; *provided* that Buyer shall have complied in all material respects with its obligations pursuant to Sections 2.07 and 7.01 with respect to the obtaining of such Consent.

Section 3.16. *Permits.* Seller and its Subsidiaries possess all material permits, approvals, orders authorizations, consents, licenses, certificates, franchises, exemption of, or filings or registrations with, or issued by, any Governmental Authority necessary for the operation of the Business as currently conducted.

Section 3.17. *Finders' Fees*. Except for Morgan Stanley & Co. Incorporated and Lazard Frères & Co. LLC, each of whose fees will be paid by Seller, there is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Seller who might be entitled to any fee or commission in connection with the transactions contemplated by the Transaction Documents for which Buyer or any of its Affiliates would be responsible.

Section 3.18. *Employee Benefit Plans*. (a) Seller has made available to Buyer copies of (i) each material Employee Plan together with the most recent annual report (Form 5500 including, if applicable, Schedule B thereto) and Form 990, if applicable, prepared in connection with any such plan and (ii) each material International Plan. Section 3.18 of the Disclosure Schedule sets forth a list of all the material Employee Plans and material International Plans.

(b) None of Seller, any Subsidiary of Seller, any of their ERISA Affiliates or any predecessor thereof, maintains, administers or contributes to, or has in the past maintained, administered or contributed to, any Employee Plan subject to Title IV of ERISA.

(c) None of Seller, any Subsidiary of Seller, any of their ERISA Affiliates or any predecessor thereof contributes to, or has in the past contributed to, any multiemployer plan, as defined in Section 3(37) of ERISA.

(d) Each Employee Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter, or has pending or has time remaining in which to file, an application for such determination from the Internal Revenue Service, and to the knowledge of Seller there is no reason why any such determination letter should be revoked or not be reissued. Seller has made available to Buyer copies of the most recent Internal Revenue Service determination letters with respect to each such Employee Plan. Each Employee Plan has been maintained, funded and administered in compliance with its terms and with any Applicable Law, except for instances of non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. With respect to each Employee Plan, all contributions and premium payments that are due have been made within the time periods prescribed by ERISA and the Code, except for any such contribution or payment which the failure to make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No events have occurred with respect to any Employee Plan that could result in payment or assessment by or against the Business, any Purchased Asset or any Purchased Subsidiary, or Buyer or any of its Affiliates of any excise taxes under Sections 4972, 4975, 4976, 4977, 4979, 4980B, 4980D, 4980E or 5000 of the Code, except for excise taxes as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(e) No Purchased Subsidiary has any material Liability under Section 302 or Title IV of ERISA or Section 412 of the Code. None of Seller, any Retained Subsidiary or any of their ERISA Affiliates has any material Liability under Section 302 or Title IV of ERISA or Section 412 of the Code that could become a material Liability of Buyer, any Purchased Subsidiary or any of their Affiliates.

(f) Seller has (or has caused its Subsidiaries to have) performed all obligations required with respect to each International Plan, except for any such obligation as to which the failure to perform would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each International Plan has been maintained in compliance with its terms and with any Applicable Law, except for instances of non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. All payments (including premiums due) and all employer and employee contributions required to have been collected in respect of each International Plan have been paid when due, or if applicable, accrued on the balance sheet of Seller and its Affiliates, except for any such payment, contribution or accrual as to which the failure to make would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 3.19 . *Employee and Labor Matters.* (a) To the knowledge of Seller, no Business Employee whose annual base salary exceeds $125,000 (i) has any present intention to terminate his or her employment with the Business within 12 months of the Closing Date, or (ii) is a party to any confidentiality, non-competition, proprietary rights or other such agreement with any other Person besides the Seller or any of its Subsidiaries, as applicable, that would be material to the performance of his or her employment duties.

(b) (i) Neither the Seller nor any of its Subsidiaries is party to any collective bargaining agreement with respect to the Business or any Business Employee; (ii) no union organizing efforts are underway or, to the knowledge of the Seller, threatened, and no other question concerning labor representation exists with respect to the Business or any Business Employee; and (iii) no material labor dispute has occurred in the past three years, and no material labor dispute is underway or, to the knowledge of the Seller, threatened, in each case with respect to the Business.

Section 3.20. *Environmental Compliance*. Except as to matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect:

(a) (i) no written notice, order, request for information, complaint or penalty has been received by Seller or any of its Subsidiaries, and (ii) there are no judicial, administrative or other actions, suits or

proceedings pending or threatened, in the case of each of (i) and (ii), which allege a violation of any Environmental Law or allege the existence of any Environmental Liabilities and relate to the Purchased Assets, the Business or the assets of the Purchased Subsidiaries; and

(b) Seller and its Subsidiaries have obtained or caused to be obtained all environmental permits necessary for the operation of the Purchased Assets, the Business and the assets of the Purchased Subsidiaries to comply with all applicable Environmental Laws and Seller and its Subsidiaries are in compliance, and have for the previous three years been in compliance, with the terms of such permits and, with respect to the operation of the Purchased Assets, the Business and the assets of the Purchased Subsidiaries, with all other applicable Environmental Laws;

(c) With respect to the Purchased Assets, the Business, or the assets of the Purchased Subsidiaries, none of Seller or its Subsidiaries has at any time prior to the Closing treated, stored, disposed of, arranged for or permitted the disposal of, transported, handled, released, or exposed any Person to, any hazardous substance, material or waste, and no hazardous substances, waste or material at any time prior to the Closing has been released at, on, under or from any Real Property, in each case so as to give rise to any material Liability, including any such liability for response costs, corrective action costs, personal injury, property damage, natural resources damages or attorney fees or material investigative, corrective or remedial obligations, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, or any other Environmental Law; and

(d) Seller has furnished to Buyer all environmental audits and other written assessments and reports bearing on material environmental liabilities, in each case relating to the current operations and facilities of the Business and which are in its or its Subsidiaries' possession or under its or their reasonable control.

Section 3.21. *Insurance.* Section 3.21 of the Disclosure Schedule lists and briefly describes the material components of the insurance coverage maintained and owned by Seller with respect to the Business. All of such insurance policies are in full force and effect, and the Seller and its Subsidiaries are not in default in any material respect with respect to their obligations under any such insurance policies.

Section 3.22. *Customer and Supplier Relationships.* To Seller's knowledge, Section 3.22 of the Disclosure Schedule contains a complete and accurate list of the top ten customers (by revenue) ranked by ability to ultimately direct the purchasing

decision of the Control Business, the top ten customers (by

revenue) ranked by ability to ultimately direct the purchasing decision of the Sensor Business, the top ten suppliers (by purchases) of the Control Business, and the top ten suppliers (by purchases) of the Sensor Business, in each case for the period from January 1, 2005 to the date hereof. No such customer or supplier within the last twelve months has canceled or otherwise terminated, or to the knowledge of the Seller, threatened to cancel or terminate, its relationship with the Business, and no such customer or supplier has during the last twelve months decreased materially or, to the knowledge of Seller, threatened to decrease or limit materially its business with the Business, in each case whether as a result of the transactions contemplated hereby or otherwise.

Section 3.23. *Product Warranty and Liability.* All products made, assembled, or sold by the Business in the previous three years have been in conformity with all applicable contractual commitments, Applicable Law, and all express and implied warranties, with only such exceptions as would not reasonably be expected to be material to the Business. Neither Seller nor any of its Subsidiaries has been notified of any claims for, and Seller has no knowledge of any threatened claims for, any product returns, warranty obligations or product services that would reasonably be expected to be material to the Business.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller, as of the date hereof and as of the Closing, that:

Section 4.01. *Corporate Existence and Power*. Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of Delaware and has all corporate powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted.

Section 4.02. *Corporate Authorization*. The execution, delivery and performance by Buyer of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby are within the corporate powers and authority of Buyer and have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been duly and validly executed and delivered by Buyer and constitutes a valid and binding agreement of Buyer. Each other Transaction Document will be duly and validly executed by Buyer at or prior to the Closing and, upon such execution and delivery by Buyer and the due and valid execution and delivery of such Transaction Document by each other party thereto, will constitute a valid and binding agreement of Buyer, enforceable against Buyer in accordance with its terms.

Section 4.03. *Governmental Authorization*. The execution, delivery and performance by Buyer of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby require no material action by or in respect of, or material filing with, any Governmental Authority other than compliance with any applicable requirements of the HSR Act and other Competition Laws.

Section 4.04. *Noncontravention*. The execution, delivery and performance by Buyer of the Transaction Documents to which it is a party and the consummation of the transactions contemplated thereby do not and will not (i) violate the certificate of incorporation or bylaws of Buyer, (ii) assuming compliance with the matters referred to in Section 4.03, violate any Applicable Law, (iii) require any consent or other action by any Person under, constitute a default under or give rise to any right of termination, cancellation or acceleration of any material right or obligation or to a loss of any material benefit to which Buyer is entitled under any provision of any agreement or other instrument binding upon Buyer or (iv) result in the creation or imposition of any material Lien on any asset of Buyer.

Section 4.05. *Financing*. Schedule 4.05 hereto contains true and complete copies of (a) an executed commitment letter (the "**Equity Commitment Letters**") from Bain Capital Fund VIII, L.P. confirming its commitment to provide Buyer with equity financing in an aggregate amount of up to $975,000,000 (nine hundred seventy-five million dollars) (the "**Equity Financing**") and designating Seller as a third party beneficiary thereof (subject to the limitations set forth therein) and (b) an executed

commitment letter (the "**Debt Commitment Letter**") from Morgan Stanley Senior Funding, Inc., Bank of America, N.A., Bank of America Bridge LLC, Banc of America Securities LLC and Goldman Sachs Credit Partners L.P. confirming their commitment to provide Buyer with up to $2.125 billion in debt financing (the "**Debt Financing**" and together with the Equity Financing, the "**Financing**"). Except as previously disclosed to Seller in writing, Buyer has not entered into any agreement not set forth in the Debt Commitment Letter pursuant to which any Person has the right to modify or amend the terms of the Debt Financing described in the Debt Commitment Letter. Each of the Equity Commitment Letters is in full force and effect, is a valid and binding obligation of each of the parties thereto and has not been amended or modified in any respect. The Debt Commitment Letter is a valid and binding obligation of Buyer and, to the knowledge of Buyer, the other parties thereto and, as of the date hereof, has not been amended or modified in any respect. No event has occurred which, with or without notice, lapse of time or both, would constitute a default or breach on the part of Buyer under any term or condition of the Equity Commitment Letters or the Debt Commitment Letter, and Buyer has no reason to believe that it will be unable to satisfy on a timely basis any term or condition of closing to be satisfied by it pursuant to the Equity Commitments Letters or the Debt Commitment Letter. Buyer has fully paid any

and all commitment or other fees required by the Debt Commitment Letter to be paid on or before the date hereof. The Financing, when funded in accordance with, and subject to the terms and conditions of, the Equity Commitment Letters and the Debt Commitment Letter will provide Buyer with funds sufficient to pay the Purchase Price and any other amounts to be paid by it under the Transaction Documents.

Section 4.06. *Litigation*. There is no action, suit, investigation or proceeding pending against, or to the knowledge of Buyer threatened against or affecting, Buyer before any arbitrator or any Governmental Authority, except for such actions, suits, investigations or proceedings as would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated by the Transaction Documents.

Section 4.07. *Finders' Fees*. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement for which Seller or any of its Affiliates would be responsible.

Section 4.08. *Inspections; No Other Representations*. Buyer is an informed and sophisticated purchaser, and has engaged expert advisors, experienced in the evaluation and purchase of property and assets such as the Purchased Assets and the Shares as contemplated hereunder. Buyer has undertaken such investigation and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed decision with respect to the execution, delivery and performance of this Agreement. Buyer acknowledges that Seller has given Buyer access to the key employees, documents and facilities of the Business. Buyer will undertake prior to Closing such further investigation and request such additional documents and information as it deems necessary. Buyer agrees to accept the Purchased Assets and the Business in the condition they are in on the Closing Date based on its own inspection, examination and determination with respect to all matters and without reliance upon any express or implied representations or warranties of any nature made by or on behalf of or imputed to Seller, except as expressly set forth in this Agreement. Nothing in this paragraph will in any way affect Buyer's ability to rely on the representations and warranties contained in Articles 3 and 8, nor affect Buyer's rights to indemnification under Article 11.

ARTICLE 5

COVENANTS OF SELLER

Seller agrees that:

Section 5.01. *Conduct of the Business*. From the date hereof until the Closing Date, except as set forth on Section 5.01 of the Disclosure Schedule or as specifically contemplated by any of the Transaction Documents, Seller shall, and shall cause its Subsidiaries to, conduct the Business in the ordinary course consistent with past practice and shall use its reasonable efforts to

preserve intact the business organizations and relationships with third parties and to keep available the services of the current Business Employees. Without limiting the generality of the foregoing, from the date hereof until the Closing Date, except as set forth in Section 5.01 of the Disclosure Schedule or as specifically contemplated by any of the Transaction Documents, with respect to the Business Seller will not and will cause its Subsidiaries not to:

(a) acquire assets from any other Person (including by merger or consolidation) for consideration in excess of $5,000,000 in the aggregate except (i) pursuant to existing contracts or commitments disclosed to Buyer as of the date hereof or (ii) purchases of inventory or capital expenditures in the ordinary course of business consistent with past practice;

(b) sell, lease, license or otherwise dispose of any Purchased Assets or assets of the Purchased Subsidiaries (including by merger or consolidation) except (i) pursuant to existing contracts or commitments disclosed to Buyer as of the date hereof or (ii) sales of inventory or obsolete equipment in the ordinary course of business consistent with past practice;

(c) agree or commit to do any of the foregoing;

(d) take any action that would make any representation or warranty of Seller in Section 3.08 of this Agreement inaccurate in any material respect at the Closing Date or which would require disclosure pursuant to Section 3.08 if taken after the Balance Sheet Date and prior to the date hereof; or

(e) with respect to the Purchased Subsidiaries, make or change any Tax election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, settle any Tax claim or assessment, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, settlement, or other action would have the effect of increasing the liability for Taxes of any Purchased Subsidiary for any Tax period ending after the Closing Date.

Section 5.02. *Access to Information*. (a) From the date hereof until the Closing Date, Seller will, and will cause its Subsidiaries to, (i) give Buyer, its

Representatives and financing sources reasonable access to the offices, properties, books and records of Seller and its Subsidiaries relating to the Business, (ii) furnish to Buyer and its Representatives such financial and operating data (including (A) audited annual financial statements with respect to 2005, which shall be furnished as soon as available but in any event no later than February 28, 2006, (B) unaudited quarterly financial statements with respect to the first quarter of 2006, which shall be furnished as soon as available but in any event no later than April 30, 2006 (such annual and quarterly financial statements, collectively, the "**Supplemental Financial Statements**") and (C) monthly management reports in a form consistent with the monthly management reports customarily prepared by the Business, each such monthly management report to be furnished as soon as available but in any event no later than 15 days after the end of the applicable month) and other information relating to the Business as such Persons may reasonably request and (iii) instruct the employees, counsel, financial advisors and other Representatives of Seller and its Subsidiaries to cooperate with Buyer in its investigation of the Business. Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of Seller. Notwithstanding the foregoing, (A) Buyer shall not have access (1) to personnel records of Seller or its Affiliates relating to individual performance or evaluation records, medical histories or other information which in Seller's good faith opinion is sensitive or the disclosure of which could subject Seller or its Affiliates to risk of liability, (2) for purposes of conducting any environmental sampling or testing or (3) to any information to the extent relating to any Retained Business and (B) Seller may, unless Buyer cooperates in any reasonably satisfactory protective arrangement, withhold, as and to the extent necessary to avoid contravention or waiver, any document or information the disclosure of which would violate any agreement or any Applicable Law or would result in the waiver of any legal privilege or work-product privilege.

(b) Seller shall, and shall cause its Subsidiaries to, provide such cooperation as may be reasonably requested by Buyer in connection with obtaining the financing contemplated by the Debt Commitment Letter (or any replacement thereof), including: (i) participation in meetings, drafting sessions, and due diligence sessions, and otherwise assisting Buyer in the preparation of offering materials and materials for rating agency presentations; (ii) reasonably cooperating with the marketing efforts of Buyer, its Subsidiaries, and their financing sources for any of the financing contemplated by the Debt Commitment Letter (or any replacement thereof), including participation in management presentation sessions, "road shows", and sessions with rating agencies; (iii) furnishing Buyer, its Subsidiaries, and their financing sources with financial and other pertinent information regarding the Business as may be reasonably requested by Buyer, including all financial statements (but excluding any *pro forma* financial statements, which shall be prepared by Buyer with the

cooperation of Seller and its Subsidiaries), and assisting Buyer in the preparation of business projections and other financial data of the type required by Regulation S-X and Regulation S-K under the Securities Act and of the type and form customarily included in offering memoranda, private placement memoranda, prospectuses and similar documents; (iv) providing and executing documents as may be reasonably requested by Buyer, including a certificate of the chief financial officer of (or person performing equivalent function for) the Business with respect to solvency matters and consents of accountants for use of their reports in any materials relating to the Debt Commitment Letter; (v) reasonably facilitating the pledging of collateral; and (vi) using reasonable efforts to obtain accountants' comfort letters, legal opinions, surveys and title insurance as reasonably requested by Buyer. All reasonable out-of-pocket expenses incurred by Seller or any of its Subsidiaries in connection with the foregoing sentence shall be paid, or reimbursed promptly following demand therefor, by Buyer.

(c) On and after the Closing Date, Seller will, and will cause its Subsidiaries to, afford promptly to Buyer, its Subsidiaries and their respective Representatives reasonable access to its books of account, financial and other records (including accountant's work papers), information, employees and auditors to the extent necessary or useful for any such Persons in connection with any audit, investigation, dispute or litigation or any other reasonable business purpose relating to the Business or the transactions contemplated hereby (including the preparation by Buyer of an initial filing under the Securities Act with respect to the financing contemplated by the Debt Commitment Letter and periodic reports under the Exchange Act); *provided* that any such access by any such Persons shall not unreasonably interfere with the conduct of the business of Seller. In addition, Seller will use reasonable efforts to provide, or to cause its accountants or other Representatives to provide, such consents, letters or other documents as Buyer may reasonably request in connection with the preparation by Buyer of such filing under the Securities Act and such reports under the Exchange Act. Buyer shall bear all of the out-of-pocket costs and expenses (including attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.

Section 5.03. *Non-compete.* (a) For a period of six years following the Closing Date, Seller shall not, and shall not permit any of its Subsidiaries or Affiliates to, engage in or participate in any business which engages in, the design, development, manufacture, marketing, license or sale of Sensor Products or Control Products; *provided* that for purposes of this Section 5.03(a), the phrases “or under development” in clause (iii) of the definition of Control Products and “or under development” in clause (ii) of the definition of Sensor Products shall be disregarded. The term “participate in” shall mean, with respect to any Person, (i) owning, managing or having any direct or indirect interest in such Person, whether as owner, stockholder, partner or joint venturer or (ii)

having any officer or other senior management employee, at the direction of Seller, act as a director, officer, employee, agent, consultant or independent contractor of any Person.

(b) Notwithstanding the foregoing, nothing in this Agreement shall restrict in any way:

(i) the right of Seller or any of its Subsidiaries to (A) design, develop, manufacture, market, license or sell Semiconductor Products (including any Semiconductor Products which are designed to sense physical phenomena, condition signals from sensors or both), (B) engage in any Semiconductor Activities or (C) license any Intellectual Property Rights (other than the Business Intellectual Property Rights, except as expressly described in the Cross License Agreement);

(ii) the right of Seller or any of its Subsidiaries to design, develop, manufacture, market, license or sell any tire pressure sensor application currently under development or manufactured or sold by Seller or any of the Retained Subsidiaries and described in Section 5.03 of the Disclosure Schedule or any extension, modification, derivative, replacement or successor thereof (collectively, the “**Tire Pressure Sensor Products**”);

(iii) the acquisition or ownership by Seller or any of its Subsidiaries of up to 20% of the outstanding equity securities of any Person whose revenues attributable to a business in which Seller or such Subsidiary would otherwise not be permitted to engage or participate pursuant to this Section 5.03 (a “**Competing Business**”) do not at any time exceed $50 million (based on the last annual financial statements of such Person preceding the date of determination), so long as neither Seller nor any of its

Subsidiaries has any active participation in the business or management of the business conducted by such Person (which active participation would include appointing a representative to serve on the board of directors or equivalent governing body of such Person or having the right to effectively control or materially restrict, through veto rights or otherwise, the management or policies of such Person other than with respect to customer supply or product development arrangements); or

(iv) the acquisition by Seller or any of its Subsidiaries of a majority interest in a Person who conducts a Competing Business; *provided* that if the Competing Business has annual revenues in excess of $5 million (based on the last annual financial statements of such Person preceding the date of determination) during the last full fiscal year preceding the consummation of such acquisition or any subsequent full fiscal year, then

(A) Seller shall, or shall cause its relevant Subsidiary to, as soon as it may reasonably do so on commercially reasonable terms and in any event within eighteen months following (1) if the Competing Business' annual revenues exceeded such threshold for its last full fiscal year preceding the acquisition, the consummation of such acquisition and (2) otherwise, the end of the first full fiscal year in which the Competing Business' annual revenues exceed such threshold, divest such Person's interest in the Competing Business or terminate such Competing Business; and

(B) with respect to any such divestiture, Seller shall, or shall cause its relevant Subsidiary to, provide Buyer with the exclusive opportunity to negotiate with Seller or such Subsidiary for a period of 60 days with respect to the possible acquisition by Buyer of the Competing Business prior to entering into negotiations with another Person with respect to such divestiture.

Section 5.04. *Confidentiality.* Seller will not, and will cause its controlled Affiliates and Representatives not to, for a period of three years after the Closing Date, directly or indirectly, without the prior written consent of Buyer, disclose to any third party (other than each other and their respective Representatives) any confidential or proprietary information included in the Purchased Assets; *provided* that the foregoing restriction will not (a) apply to any information to the extent (i) relating to Intellectual Property Rights, the disclosure of which shall be governed by the Cross-License Agreement, (ii) generally available to, or known by, the public (other than as a result of disclosure in violation of this Section 5.04), (iii) that such information relates to Semiconductor Products or (iv) independently developed by Seller or any of its Affiliates (other than by the Business prior to the Closing) or (b) prohibit any disclosure (i) required by any applicable legal requirement or (ii) made to the extent necessary, in the reasonable judgment of Seller, in connection with the enforcement of any right or remedy relating to any of the Transaction Documents or the transactions contemplated hereby or thereby, so long as, in the case of each of the foregoing clauses (i) and (ii), to the extent legally permissible, Seller provides Buyer with reasonable prior notice of such disclosure and a reasonable opportunity to seek an appropriate protective order.

Section 5.05. *Insurance.* (a) Except as set forth in this Section 5.05, coverage of the Purchased Assets and Purchased Subsidiaries under any insurance policy of Seller or its Affiliates shall cease as of the Closing Date.

(b) Seller shall and shall cause its Affiliates to use reasonable efforts (including using reasonable efforts to cause Buyer and its Subsidiaries to be listed as “Additional Insureds”) to ensure that the Purchased Assets and Purchased

Subsidiaries shall, to the extent covered as of the date hereof or the Closing Date, continue to have coverage under each insurance policy in effect with respect thereto at any time prior to the Closing (each, a “**Specified Policy**”) in accordance with the terms and conditions thereof from and after the Closing Date for any loss, liability or damage suffered with respect to any incident or event occurring prior to the Closing. Seller shall indemnify Buyer for the costs and expenses referred to in this Section 5.05(b) to the extent, if any, that Seller is required to do so pursuant to Article 11.

(c) In the case of any Specified Policy that is a “claims made basis” policy, from the Closing Date until the policy expiration date (including any renewal thereof) of such policy (if later than the Closing Date), and in the case of any Specified Policy that is an “occurrence basis” policy, after the Closing Date, the Seller shall, and shall cause its Affiliates to, use their reasonable efforts to assist Buyer or its Subsidiaries in asserting claims for any loss, liability or damage suffered with respect to any Purchased Assets and Purchased Subsidiaries after the Closing with respect to any incident or event occurring prior to the

Closing, to the extent such loss, liability or damage is covered by the terms of such Specified Policy; *provided* that (i) all of the Seller's and its Affiliates' reasonable out-of-pocket costs and expenses incurred in connection with the foregoing are promptly paid by Buyer or its Subsidiaries as directed by the Sellers, (ii) such claims will be subject to (and recovery thereon will be reduced by the amount of) any applicable deductibles, retentions, gaps or self-insurance provisions, (iii) such claims will be subject to exhaustion of per claim and applicable limits, and (iv) in the event that any legal action, arbitration, negotiation or other proceedings are required for coverage to be asserted against any insurer or a claim to be perfected, Buyer shall do so solely at its own expense. For the avoidance of doubt, in no event shall Buyer be entitled to assert any claim with respect to an occurrence with a date of loss occurring after the Closing. None of the Seller or its Affiliates will bear any liability for the failure of an insurance carrier to pay any claim under any Specified Policy. This Section 5.05(c) shall not affect Seller's indemnification obligations pursuant to Article 11.

(d) Notwithstanding any provision of this Agreement, Seller shall not be required to comply with this Section 5.05 or any portion thereof if so doing would (i) be materially adverse to Seller or its Subsidiaries or (ii) require Seller or its Subsidiaries to incur any significant costs not reimbursable by Buyer.

Section 5.06 . *Exclusivity.* Until the date upon which this Agreement is terminated, Seller shall not, and shall cause each of its Subsidiaries, Affiliates and Representatives not to, directly or indirectly, solicit or initiate or enter into discussions or transactions with, or encourage, or provide any information to any Person or group of Persons (other than Buyer and its Representatives) concerning, any sale, lease, or license of all or any portion of the Business or the Purchased Assets or Purchased Subsidiaries (other than sales of obsolete equipment or

inventory in the ordinary course of business and sales expressly permitted by this Agreement or with respect to assets or liabilities of the Purchased Subsidiaries that are deemed Excluded Assets or Excluded Liabilities pursuant to Section 2.06(a)) or any other alternative to the transactions contemplated by this Agreement (an "**Alternative Transaction**"); *provided* that Seller shall be entitled, by notice to Buyer delivered not later than April 10, 2005, to terminate its obligations pursuant to this Section 5.06 if Buyer does not deliver to Seller on March 31, 2005 a letter that describes in reasonable detail the status of Buyer's efforts to consummate the Debt Financing and reasonably demonstrate that the Debt Financing is reasonably likely to be consummated, except that, notwithstanding such termination, Seller shall not be permitted to enter into negotiations with respect to the terms of any Alternative Transaction until the date upon which this Agreement is terminated.

Section 5.07. *Intercompany Receivables and Payables.* At or prior to the Closing, Seller shall, and shall cause its Subsidiaries to, eliminate all intercompany receivables and payables between the Business, on the one hand, and any Retained Business, on the other hand, incurred in the ordinary course of business. For the avoidance of doubt, any Taxes of the Purchased Subsidiaries arising from such elimination shall be treated as a Purchased Subsidiary Liability for purposes of this Agreement.

ARTICLE 6

COVENANTS OF BUYER

Buyer agrees that:

Section 6.01. *Confidentiality*. All information provided or made available to Buyer, its Affiliates or any of their respective Representatives or potential sources of financing (except for any such Representatives or financing sources who are party to a confidentiality agreement with Seller with respect to the transactions contemplated hereby) pursuant to any of the Transaction Documents or in connection with the transactions contemplated thereby will be subject to the confidentiality agreement dated September 28, 2005 between Buyer and Seller (the "**Confidentiality Agreement**"), which agreement shall remain in full force and effect for the benefit of Seller and shall survive the Closing (with respect to information concerning the Retained Businesses) or any termination of this Agreement.

Section 6.02. *Access*. On and after the Closing Date, Buyer will afford promptly to Seller and its Representatives reasonable access to its properties, books, records, employees and auditors to the extent necessary to permit Seller to determine any matter relating to its rights and obligations hereunder or to any period ending on or before the Closing Date; *provided* that any such access by

Seller shall not unreasonably interfere with the conduct of the business of Buyer. Seller shall bear all of the out-of-pocket costs and expenses (including attorneys' fees, but excluding reimbursement for general overhead, salaries and employee benefits) reasonably incurred in connection with the foregoing.

Section 6.03. *Financing Matters.* Buyer shall comply with its obligations under the Debt Commitment Letter and shall use its reasonable efforts to consummate the Debt Financing on the terms and conditions described in the Debt Commitment Letter, including using its reasonable efforts to (i) negotiate definitive agreements with respect to the Financing on the terms and conditions contained in the Debt Commitment Letter and (ii) satisfy all conditions to the Debt Financing to the extent the satisfaction of such conditions is within the control of Buyer. If any portion of the Debt Financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letter, Buyer will seek in good faith to arrange to obtain such portion from alternative sources on terms and conditions that are equivalent or more favorable to Buyer as promptly as practicable. Subject to the satisfaction by Seller of its obligations pursuant to Section 5.02, the conditions set forth in Section 10.01 and 10.02 (other than Section 10.02(e)) and the conditions to funding set forth in the Debt Commitment Letter (other than conditions the nonsatisfaction of which is solely the result of the failure of the Equity Financing to be consummated), Buyer will draw down on the Bridge Loans, the Senior Bridge Loans and the Senior Subordinated Bridge Loans (in each case, as defined in the Debt Commitment Letter) if adequate funding has not been obtained through the issuance of the Subordinated Notes and the Notes (in each case, as defined in the Debt Commitment Letter) and the senior secured portion of the Debt Financing, in each case, as necessary to enable the Debt Financing to be funded on or prior to the later of (A) May 31, 2006 and (B) the earlier of (1) June 30, 2006 and (2) the 30th day after the first date on which both (x) Seller shall have provided Buyer with all financial information reasonably necessary to complete an offering memorandum for the Subordinated Notes and Notes financing (it being understood that such requirement shall not be satisfied if such information would go “stale” within such 30-day period) and (y) the conditions set forth in Section 10.01(a), 10.01(b), 10.01(c), 10.02(b) and 10.02(c) have been satisfied and the parties reasonably expect that the condition set forth in Section 10.01(e) will be satisfied within 30 days. Buyer will give Seller prompt notice of any material breach by any party of the Debt Commitment Letter or any termination of the Debt Commitment Letter. To the extent reasonably requested by Seller, Buyer will keep Seller informed on a current basis in reasonable detail of the status of its efforts to consummate the Financing. Buyer will not agree to any material amendment or modification to, or grant or seek any waiver under, the Debt Commitment Letter without first consulting with Seller and, if such amendment, modification or waiver would or would reasonably be expected to adversely affect or delay in any material respect

Buyer's ability to consummate the Debt Financing or the Closing, receiving Seller's prior written consent.

Section 6.04. *338(g) Election.* Buyer agrees to make, upon Seller's written request received by Buyer no later than 30 days after the Closing Date, an effective and irrevocable election under Section 338(g) of the Code with respect to each Purchased Subsidiary, to file each such election within the time limit set forth in Treasury Regulation Section 1.338 -2(d), and to provide Seller or its relevant Subsidiary with a notice of each such election pursuant to Treasury Regulation Section 1.338 -2(e)(4).

ARTICLE 7

COVENANTS OF BUYER AND SELLER

Buyer and Seller agree that:

Section 7.01. *Reasonable Efforts; Further Assurance*. (a) Subject to the terms and conditions of this Agreement, Buyer and Seller will use their reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary or desirable under Applicable Law to consummate the transactions contemplated by the Transaction Documents. Seller and Buyer agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be reasonably necessary or desirable in order to consummate or implement expeditiously the transactions contemplated by the Transaction Documents, to vest in Buyer or its Subsidiaries ownership of the Purchased Subsidiaries and good title to the Purchased Assets and to confirm the assumption by Buyer or its Subsidiaries of the Assumed Liabilities.

(b) In furtherance and not in limitation of the foregoing, each of Buyer and Seller shall make appropriate filings pursuant to applicable Competition Laws, including an appropriate filing of a Notification and Report Form pursuant to the HSR Act and any applicable filings in the European Union, Korea and, to the extent required by Applicable Law, Brazil, China, Japan and Mexico, with respect to the transactions contemplated by the Transaction Documents as promptly as reasonably practicable and, in the case of such Notification and Report Form pursuant to the HSR Act, in any event within 10 Business Days of the date hereof. Each of Buyer and Seller shall supply as promptly as reasonably practicable any additional information and documentary material that may be requested pursuant to the HSR Act and any other Competition Laws and shall take all other actions reasonably necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act and any other Competition Laws as soon as practicable.

(c) If any objections are asserted with respect to the transactions contemplated by any of the Transaction Documents under any Competition Law or if any suit or proceeding is instituted or threatened by any Governmental Authority or any private party challenging any of the transactions contemplated by any of the Transaction Documents as violative of any Competition Law, each of Buyer and Seller shall use its reasonable best efforts to promptly resolve such objections. In furtherance of the foregoing, Buyer shall, and shall cause its Subsidiaries and controlled Affiliates to, take all actions, including agreeing to hold separate or to divest any of the businesses or properties or assets of Buyer or any of its Affiliates (including any Purchased Assets and any assets of any Purchased Subsidiary) and to terminate any existing relationships and contractual rights and obligations, as may be required (i) by the applicable Governmental Authority in order to resolve such objections as such Governmental Authority may have to such transactions under any Competition Law or (ii) by any domestic or foreign court or other tribunal, in any action or proceeding brought by a private party or Governmental Authority challenging such transactions as violative of any Competition Law, in order to avoid the entry of, or to effect the dissolution, vacating, lifting, altering or reversal of, any order that has the effect of restricting, preventing or prohibiting the consummation of the transactions contemplated by the Transaction Documents; *provided* that Buyer and its Subsidiaries and controlled Affiliates will not have any obligation to take any such action that has or would reasonably be expected to have a material adverse effect on the business, financial condition or results of operations of Buyer and its Subsidiaries (including, after the Closing, the Business), taken as a whole, or of such controlled Affiliate.

Section 7.02. *Certain Filings; Consents*. Seller and Buyer shall cooperate with one another (i) in determining whether any action by or in respect of, or filing with or Consent of, any Governmental Authority is required, or any actions or Consents are required to be obtained from parties to any material contracts, in connection with the consummation of the transactions contemplated by the Transaction Documents and (ii) in taking such actions or making any such filings, furnishing information required in connection therewith and seeking to obtain any such actions or Consents in a timely manner. Seller shall pay any commercially reasonable amounts required in order to obtain such actions or Consents; *provided* that the filing fees required pursuant to the HSR Act or other Competition Laws will be borne by the party required to pay such fees under Applicable Laws.

Section 7.03. *Public Announcements*. The initial press release relating to the Transaction Documents and the transactions contemplated hereby or thereby will be a joint release agreed upon by the parties, except for any press releases or public statements the making of which may be required by Applicable Law or any listing agreement with any national securities exchange (which, to the extent practicable, shall not be issued prior to the other party being given a reasonable opportunity to review and comment). The parties agree to consult with each other

before issuing any further press release or making any other public statement with respect to any Transaction Document or the transactions contemplated hereby or thereby which differs substantially from previously agreed upon press releases or public statements and, except for any press releases and public statements the making of which may be required by Applicable Law or any listing agreement with any national securities exchange, neither party will issue any such press release or make any such public statement unless the content of such press release or public statement shall have been agreed upon by the parties.

Section 7.04. *Notices of Certain Events*. Each of Seller and Buyer shall promptly notify the other party of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by the Transaction Documents;

(b) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by the Transaction Documents; and

(c) any actions, suits, claims, investigations or proceedings commenced that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to, in the case of Seller, Section 3.11 or, in the case of Buyer, Section 4.06.

Each of Seller and Buyer shall use reasonable efforts to notify the other party of any event or state of facts which makes the representations and warranties of such party contained herein untrue in any material respect or which makes the satisfaction of any condition or performance of any obligation of such party contained herein impossible or reasonably unlikely.

Section 7.05. *WARN Act*. Buyer shall assume all obligations and Liabilities for the provision of notice or payment in lieu of notice or any applicable penalties under the Worker Adjustment and Retraining Notification Act (the "**WARN Act**") or any similar law arising as a result of the transactions contemplated by this Agreement. Buyer hereby indemnifies Seller and its Affiliates against and agrees to hold each of them harmless from any and all Damages incurred or suffered by Seller or any of its Affiliates with respect to WARN or any similar law arising as a result of the transactions contemplated by the Transaction Documents.

Section 7.06. *Non-solicit.* (a) For a period of three years following the Closing Date, Seller shall not, and shall not permit any of its controlled Affiliates to, (i) directly solicit (or cause to be directly solicited) any of the individuals listed

in Section 7.06(a) of the Disclosure Schedule or any individual that may be added thereto prior to the Closing (A) to reflect new hires of officers, management employees, key technical employees or key sales employees and departures from the Business occurring after the date hereof or (B) by agreement of Seller and Buyer (the "**Business Covered Employees**"), except pursuant to generalized solicitations by use of advertising or which are not specifically targeted at the Business Covered Employees, or (ii) hire any of the Business Covered Employees; *provided* that the foregoing shall not restrict the solicitation or hiring of any Person who was not employed by Buyer for the six month period prior to such Person's solicitation or hiring.

(b) Until the third anniversary of the last date on which services are provided by Seller pursuant to the Transition Services Agreement, Buyer shall not, and shall not permit any of its controlled Affiliates (including, after the Closing, the Purchased Subsidiaries) to, (i) directly solicit (or cause to be directly solicited) any officer, management employee or other key employee of Seller or any of Seller's Subsidiaries who provided services to Buyer pursuant to the Transition Services Agreement, except pursuant to generalized solicitations by use of advertising or which are not specifically targeted at such employees, or (ii) hire any such employee; *provided* that the foregoing shall not restrict the solicitation or hiring or any Person who was not employed by Seller or any of Seller's Subsidiaries for the six month period prior to such Person's solicitation or hiring.

(c) For a period of six months following the Closing Date, neither Seller nor Buyer shall, nor shall either Seller or Buyer permit any of its controlled Affiliates (including, with respect to Buyer after the Closing, the Purchased Subsidiaries) to, (i) directly solicit (or cause to be directly solicited) any employee of the other party who is employed by or contracted to Texas Instruments Malaysia Sdn. Bhd., Texas Instruments de Mexico, S. de R.L. de C.V., Texas Instruments (China) Company Limited, Texas Instruments (Changzhou) Co., Ltd., Texas Instruments Hong Kong Limited or Texas Instruments Semiconductor Technologies (Shanghai) Co., Ltd. as of the Closing Date, except pursuant to generalized solicitations by use of advertising or which are not specifically targeted at such employees, or (ii) hire any such employee.

Section 7.07. *Conflicts; Privileges.* (a) Buyer waives and will not assert, and agrees to cause its Subsidiaries (including, after the Closing, the Purchased Subsidiaries) to waive and not to assert, any conflict of interest arising out of or relating to the representation after the Closing of Seller, any Retained Subsidiary or any shareholder, officer, employee or director of Seller or any Retained Subsidiary in any matter involving any Transaction Document or the transactions contemplated thereby, by any legal counsel or accountant currently representing Seller, any Retained Subsidiary or any Purchased Subsidiary in connection with the Transaction Documents or the transactions contemplated thereby (the

"**Current Representation**") and listed in Section 7.07 of the Disclosure Schedule (the "**Designated Representatives**").

(b) It is the intent of Seller and Buyer that all rights to any evidentiary privilege, including any attorney-client, work product or federally authorized tax practitioner privilege, with respect to any communication between any Designated Representative, on the one hand, and Seller, any Subsidiary of Seller (including any Purchased Subsidiary) or any shareholder, officer, employee or director of Seller or any Subsidiary of Seller, on the other hand, relating to (i) the Current Representation or (ii) any Excluded Asset, Excluded Liability or Retained Subsidiary shall, in the case of each of clauses (i) and (ii), be retained by Seller. Accordingly, Buyer waives and will not assert, and agrees to cause its Affiliates (including, after the Closing, the Purchased Subsidiaries) to waive and not to assert, including in connection with any dispute with Seller, any evidentiary privilege with respect to any such communication.

(c) Seller and Buyer agree to take, and to cause their respective Affiliates to take, all steps reasonably necessary to implement the intent of this Section 7.07.

Section 7.08. *Commercial Arrangements.* Buyer and Seller shall use their reasonable efforts in good faith to enter into written agreements prior to the Closing with respect to the purchase and supply of products that are the subject of existing arrangements (whether written or oral) between the Business, on the one hand, and any Retained Business, on the other hand, such agreements to be on the standard terms and conditions used by the Business or the relevant Retained Business, as applicable, in similar agreements with non-Affiliated third parties.

Section 7.09. *Accounts Receivable.* Following the Closing, if Buyer or Seller (or their respective Affiliates) receives payment with respect to an account receivable that is owned by the other party pursuant to the terms of this Agreement, such party shall promptly (and in any event within ten Business Days) remit such payment to the other party.

Section 7.10. *Seller Trademarks and Tradenames.* (a) Subject to the terms and conditions of this Section 7.10, Seller grants to Buyer and its Subsidiaries a nonexclusive, worldwide, fully-paid and royalty-free license under any rights Seller may have in the Seller Trademarks and Tradenames, to reproduce and affix:

(i) in perpetuity, the Seller Trademark and Tradename "TI bug" to the inventory included in the Purchased Assets or manufactured in compliance with this Section 7.10;

(ii) Sensor Products and Control Products manufactured within a period of twelve months following the Closing Date using the molds in which the Seller Trademark and Tradename "TI bug" is embedded and exists as of the Closing Date, *provided* that Buyer's manufacture of inventory using such molds during such twelve month period shall be in amounts substantially consistent with past practices;

(iii) for a period of nine months following the Closing Date, the Seller Trademark and Tradename "TI" in price lists, literature and advertising for Current Products; and

(iv) for a period of nine months following the Closing Date, the Seller Trademark and Tradename "TI" and "TI bug" on the device packaging (*i.e.*, outer and inner carton) for the Current Products.

Any such use of the Seller Trademarks and Tradenames will be in substantially the same manner of current use by Seller or its Subsidiaries, unless otherwise agreed to by Seller in writing.

(b) Buyer agrees to cease using the Seller Trademarks "TI" and "TI bug" logo and distributing Current Product units, literature and advertising for the Current Product that bear such "TI" and "TI bug" logo Seller Trademarks as soon as practicable, notwithstanding the specified time periods set forth above. Buyer shall not, however, be required to recall or destroy price lists, literature or advertising for the Current Product bearing Seller Trademarks and Tradenames.

(c) If reasonably requested by Seller, at Seller's cost, Buyer shall cooperate to enable Seller to register the Seller Trademarks and Tradenames, or to register Buyer as a user of the Seller Trademarks and Tradenames, in countries where the Seller Trademarks and Tradenames are then currently used by Buyer.

(d) Buyer agrees that to the extent any Seller Trademarks and Tradenames are used on or in connection with Sensor

Products and Control Products after Closing, such Sensor Products and Control Products shall be of a quality commensurate in all material respects with specifications used by Seller, any of its Subsidiaries or any other Person currently manufacturing Sensor Products and Control Products for Seller or any of its Subsidiaries. If Seller notifies Buyer in writing that such specifications are not being met with respect to any Sensor Products or Control Products that (i) were manufactured after the Closing Date and (ii) which use any Seller Trademark and Tradename in a manner not substantially consistent with the manner in which such Seller Trademark and Tradename was used by the Business with respect to such Sensor Products or Control Products prior to the Closing Date, Buyer shall have 30 days after receipt of such notice to implement measures to correct, or to take reasonable steps toward correcting, the nonconformance. If Buyer fails to correct

the nonconformance within such 30-day period (or to take reasonable steps toward correcting the nonconformance within such 30-day period and correct the nonconformance within 45 days after Buyer's receipt of such notice), Buyer agrees to stop all use of the Seller Trademarks and Tradenames on such nonconforming Sensor Products and Control Products as soon as reasonably possible after requested by Seller to do so.

(e) As soon as reasonably practicable following the Closing, Buyer shall change the name of each Purchased Subsidiary so that it does not include any of the Seller Trademarks and Tradenames.

(f) Except as set forth in this Section 7.10, after the Closing, Buyer shall not use any of the Seller Trademarks and Tradenames, except for a period of six months following the Closing Date to the extent necessary to communicate that the Business was formerly owned by Seller.

Section 7.11. *Certain Products.* (a) If Buyer reasonably believes or receives written notice that the manufacture, use, sale, offer for sale, or import of any Current Product infringes or is likely to infringe any claim of any Patent owned by any other Person anywhere in the world, then, as a condition to Seller's obligations under Sections 11.02(a)(vi) and 11.02(a)(vii), Buyer shall use its reasonable efforts to obtain such Current Product from a Person (including Seller under subsection (b) below) that has sufficient ownership, rights or licenses to manufacture and sell such Current Product to Buyer without infringing any claim of any Patent owned by any other Person anywhere in the world; *provided* that any royalty or other increase in the per unit price or cost paid or incurred by Buyer for such Current Product (relative to the price or cost that Buyer demonstrates in reasonable detail it would have paid in the absence of such infringement, such price or cost to be based on the average price or cost per unit that Buyer paid or incurred during the preceding twelve month period for such Current Product (if applicable)) shall be deemed Damages for purposes of Sections 11.02(a)(vi) and 11.02(a)(viii) to the extent that such Sections apply in accordance with Article 11. In addition, if Buyer arranges to obtain a Current Product from a Person who does not provide such Current Product to the Business as of the Closing Date (including with respect to a Current Product that is not marketed or sold by the Business as of the Closing Date), then, as a condition to Seller's obligations under Sections 11.02(a)(vi) and 11.02(a)(vii), Buyer shall use its reasonable efforts to obtain such Current Product from a reputable and established source, including Seller under Section 7.11(b) (it being understood that for this purpose current suppliers of Current Products shall be considered reputable and established sources) that Buyer reasonably believes has sufficient ownership, rights or licenses to manufacture and sell such Current Product to Buyer without infringing any claim of any Patent owned by any other Person anywhere in the world.

(b) Upon a request of Buyer made prior to the third anniversary of the Closing Date or if Seller makes the election referred to in paragraph (C) of Section 11.02(a)(vii) of the Disclosure Schedule, Buyer and Seller shall enter into mutually agreeable, commercially reasonable arrangements pursuant to which Seller shall make, have made, sell, offer for sale or import, in each case for Buyer, any Current Product that is alleged to infringe any Intellectual Property Rights of a third party, provided that Seller has the capability to do so and has sufficient ownership, rights or licenses to do so without resulting in such infringement or breach of any applicable license agreement. The price paid by Buyer to Seller with respect to any such arrangement (the "**Have Made Costs**") shall be:

(i) if such arrangement is entered into upon a request of Buyer made on or prior to April 30, 2007 or because Seller makes the election referred to in paragraph (C) of Section 11.02(a)(vii) of the Disclosure Schedule, the greater of (A) the product of (1) the price or cost per unit that Buyer demonstrates in reasonable detail it would have paid in the absence of such infringement, such price or cost to be based on the average price or cost per unit that Buyer paid or incurred during the preceding twelve month period for such Current Product, *multiplied by* (2) the number of units of such Current Product manufactured by or for Seller and delivered to Buyer or Buyer's designee, and (B) all of Seller's reasonable manufacturing, selling and related costs and expenses (including appropriate allocations for overhead, depreciation and amortization) associated with Seller's performance under this Section 7.11(b) in respect of such Current Product, determined in accordance with generally accepted accounting principles in the United States, consistently applied; or

(ii) if such arrangement is entered into upon a request of Buyer made after April 30, 2007 and prior to the third anniversary of the Closing Date, a commercially reasonable amount.

Seller shall invoice Buyer within 60 days after each shipment of such Current Product for the applicable Have Made Costs for the Current Products included in such shipment. Payment of such invoice shall be made within 30 days after delivery to Buyer of such invoice, except to the extent that Buyer may dispute any such Have Made Costs in good faith. Within sixty days after the end of each calendar quarter, Seller shall, if applicable, provide Buyer with reasonable detail and documentation backup to support the calculation of and bases for Have Made Costs with respect to Current Products shipped in such quarter.

ARTICLE 8

TAX MATTERS

Section 8.01. *Tax Matters.* Except as set forth in the Disclosure Schedule, Seller hereby represents and warrants, as of the date hereof and as of the Closing Date, to Buyer that:

(a) Seller and its Subsidiaries have timely paid all Taxes required to be paid, the non-payment of which would result in a Lien on any Purchased Asset or Share.

(b) Seller and its Subsidiaries have established, in accordance with GAAP applied on a consistent basis with that of preceding periods, adequate reserves for the payment of, and will timely pay, all (i) Taxes due and payable (A) which arise from or with respect to the Purchased Assets, the Shares or the operation of the Business or (B) of the Purchased Subsidiaries, in each case which are incurred in or attributable to the Pre-Closing Tax Period and (ii) all Taxes arising out of the Restructuring.

(c) Each Purchased Subsidiary has timely filed all material Tax Returns that it was required to file. All such Tax Returns were correct and complete in all material respects and were prepared in substantial compliance with all applicable laws and regulations. All material Taxes owed and due by Purchased Subsidiaries have been paid. There are no Liens on any of the assets of the Purchased Subsidiaries that arose in connection with any failure (or alleged failure) to pay any material Tax.

(d) There is no dispute or claim concerning any material Tax liability of any Purchased Subsidiary either (i) claimed or raised by any authority in writing or (ii) as to which any directors and officers (and employees responsible for Tax matters) of Seller or any Purchased Subsidiary has knowledge based upon personal contact with any agent of such authority.

(e) No Purchased Subsidiary has waived any statute of limitations in respect of any material Taxes or agreed to any extension of time with respect to a material Tax assessment or deficiency.

Section 8.02. *Tax Cooperation; Allocation of Taxes*. (a) Buyer and Seller agree to furnish or cause to be furnished to each other, upon request, as promptly as practicable, such information and assistance relating to the Business, the Purchased Assets and the Purchased Subsidiaries (including access to books and records) as is reasonably necessary for the filing of all Tax returns, the making of any election relating to Taxes, the preparation for any audit by any Taxing Authority, and the prosecution or defense of any claim, suit or proceeding relating

to any Tax. Buyer and Seller shall retain all books and records with respect to Taxes pertaining to the Purchased Assets or Purchased Subsidiaries for a period of at least seven years following the Closing Date. On or after the end of such period, each party shall provide the other with at least 10 days prior written notice before destroying any such books and records, during which period the party receiving such notice can elect to take possession, at its own expense, of such books and records. Seller and Buyer shall cooperate with each other in the conduct of any audit or other proceeding relating to Taxes involving the Purchased Assets, the Purchased Subsidiaries or the Business.

(b) All real property taxes, personal property taxes and similar *ad valorem* obligations levied with respect to the Purchased Assets or the Purchased Subsidiaries for a taxable period which includes (but does not end on) the Closing Date (collectively, the "**Apportioned Ad Valorem Obligations**") shall be apportioned between Seller and Buyer based on the number of days of such taxable period included in the Pre-Closing Tax Period and the number of days of such taxable period after the Closing Date (any such portion of such taxable period, the "**Post-Closing Tax Period**"). All other Taxes with respect to the Purchased Assets or the conduct of the Business (including Taxes of the Purchased Subsidiaries) for such a taxable period (the "**Other Apportioned Obligations**") shall be apportioned between Buyer and Seller as if such period ended on the Closing Date. Seller shall be liable for the proportionate amount of Apportioned Ad Valorem Obligations and Other Apportioned Obligations (together, the "**Apportioned Obligations**") that is attributable to the Pre-Closing Tax Period, except to the extent such Taxes were taken into account as a liability in calculating Final Working Capital, and Buyer (or its Subsidiaries) shall be liable for the proportionate amount of such taxes that is attributable to the Post-Closing Tax Period.

(c) All excise, sales, use, value added (except for value added taxes that will be recoverable by Buyer or its Subsidiaries after the Closing Date), registration stamp, recording, documentary, conveyancing, franchise, property, transfer, gains and similar Taxes, levies, charges and fees (collectively, "**Transfer Taxes**") incurred in connection with the transactions contemplated by this Agreement shall be shared equally by Buyer and Seller. Value added taxes incurred in connection with the transactions contemplated by this Agreement that will be recoverable by Buyer or its Subsidiaries after the Closing Date shall be invoiced by Seller to Buyer, paid by Buyer to Seller and remitted by Seller to the relevant Taxing Authority in accordance with Applicable Law; *provided* that Seller shall simultaneously with Buyer's payment of such taxes to Seller advance to Buyer (i) 100% of the aggregate amount by which all such value added taxes exceed $5 million but are less than or equal to $10 million and (ii) 50% of the aggregate amount of all such value added taxes in excess of $10 million and, in the case of each of clauses (i) and (ii), within 10 Business Days of Buyer's recovery of such value added taxes (or any portion thereof) from the applicable

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Taxing Authorities, Buyer shall reimburse Seller for Seller's *pro rata* portion (determined based on the proportion that the total amount advanced by Seller to Buyer under clauses (i) and (ii) bears to the total amount of such recoverable value added taxes paid by Buyer to Seller) of the amount so recovered. Buyer and Seller shall cooperate in providing each other with any appropriate resale exemption certifications and other similar documentation.

(d) Apportioned Obligations and Taxes described in Section 8.02(c) shall be timely paid, and all applicable filings, reports and returns shall be filed, as provided by Applicable Law. The paying party shall be entitled to reimbursement from the non-paying party in accordance with Section 8.02(b) or (c), as the case may be. Upon payment of any such Apportioned Obligation or Tax, the paying party shall present a statement to the non-paying party setting forth the amount of reimbursement to which the paying party is entitled under Section 8.02(b) or (c), as the case may be together with such supporting evidence as is reasonably necessary to calculate the amount to be reimbursed. Except with respect to Taxes of a Purchased Subsidiary that are being paid by Seller to Buyer in accordance with Section 8.02(e), the non-paying party shall make such reimbursement promptly but in no event later than 10 days after the presentation of such statement. Any payment not made within such time shall bear interest on a daily basis, at the rate per annum set forth in Section 2.11(b), for each day until paid.

(e) Buyer shall prepare, or cause to be prepared, all Returns required to be filed by any Purchased Subsidiary after the Closing Date with respect to any Pre-Closing Tax Period. Buyer shall timely file, or cause to be timely filed, all such Returns. Any such Return shall be prepared in a manner consistent with past practice and without a change of any election or any accounting method, except as otherwise required by law, and shall be submitted by Buyer to Seller (together with schedules, statements and, to the extent reasonably requested by Seller, supporting documentation) at least 20 days prior to the due date (including extensions) of such Return. If Seller, within 10 Business Days after delivery of any such Return, notifies Buyer in writing that it objects to any items in such Return, the disputed items shall be resolved by mutual agreement between Buyer and Seller. Seller will pay to Buyer the amount of Taxes shown on such Return no later than two days prior to the date such Return is required to be filed, except to the extent such Taxes were taken into account as a liability in calculating Final Working

Capital.

(f) Buyer shall promptly pay or cause to be paid to Seller all refunds of Taxes and interest thereon received by any Purchased Subsidiary attributable to Taxes paid by any Purchased Subsidiary with respect to any Pre-Closing Tax Period, except to the extent such refund is taken into account as an asset in calculating Final Working Capital or is attributable to the carryback of a Tax attribute arising in a Post-Closing Tax Period or a later Tax Period. If, in lieu of receiving such refund, any Purchased Subsidiary reduces a Tax Liability or

increases a tax asset relating to a taxable period (or portion thereof) ending after the Closing Date, Buyer shall promptly pay or cause to be paid to Seller the amount of such reduction in Tax Liability or, when realized, the amount of any benefit resulting from such increase in tax assets, as the case may be. Any amount required to be paid by Buyer to Seller pursuant to this Section 8.02(f) shall be reduced by the amount of any increase in Taxes of a Purchased Subsidiary as a result of the receipt of such refund, reduction in Tax Liability or increase in tax assets.

ARTICLE 9

PERSONNEL MATTERS

Section 9.01. *Business Employees.* Buyer shall (or will cause one of its Subsidiaries to) (i) continue the employment on and after the Closing Date of each Business Employee who is currently employed by a Purchased Subsidiary and (ii) on or prior to the Closing Date, make an offer of employment to each other current Business Employee, in both cases on the terms set forth in this Section 9.01. For the avoidance of doubt, current Business Employees include any Business Employee who is, immediately prior to the Closing, absent from work on account of paid time-off, vacation, sick or personal leave (but not short-term disability or long-term disability), worker's compensation or leave of absence (other than a leave of absence resulting from a reduction in force or a "bridging" of age and/or service credit for purposes of an Employee Plan) and any Business Employee for whom an obligation to recall, rehire or otherwise return to employment exists under a contractual obligation or law (such as, without limitation, the Family and Medical Leave Act, the Uniformed Services Employment and Reemployment Rights Act and any Applicable Law that requires employers to permit the return of their employees following a leave of absence (*e.g.*, maternity leave)). Any U.S. Business Employee who is, immediately prior to the Closing, absent from work on account of short-term disability shall receive an offer of employment from Buyer (or one of its Subsidiaries) on the terms set forth in this Section 9.01 when he or she is able and willing to return to active employment; *provided* that such individual so returns within six months following the Closing Date (in this regard, Buyer or such Subsidiary shall make any reasonable accommodation required under Applicable Law to accommodate the disability that resulted in such individual being on such short-term disability). Unless a written acceptance of an offer of employment is required by Applicable Law, a Business Employee who continues employment or who has received an offer shall be deemed to have accepted such continuance or offer, unless such Business Employee specifically declines such continuance or offer. Business Employees described in clause (i) who continue such employment and Business Employees described in clause (ii) (including in each case any Business Employees returning from short-term disability) who accept such offer

of employment shall collectively be the "**Transferred Employees**". Transferred Employees who are based primarily in the United States shall collectively be the "**Transferred Employees (U.S.)**". Transferred Employees who are based primarily outside of the United States shall collectively be the "**Transferred Employees (Non-U.S.)**". Buyer and Seller agree to utilize, or cause their respective Affiliates to utilize, the standard procedure set forth in Revenue Procedure 2004-53 with respect to wage reporting for Transferred Employees (U.S.).

Section 9.02. *Maintenance of Compensation and Employee Benefits.* (a) Subject to the penultimate sentence of this Section 9.02(a), Buyer agrees that for a period of 12 months after the Closing Date (the "**Relevant Period**"), it will provide (or will cause to be provided) each Transferred Employee with an annual base salary and non-equity based incentive compensation opportunity that are at least equal to his or her annual base salary and non-equity based incentive compensation opportunity in effect immediately prior to the Closing. In addition, Buyer agrees that during the Relevant Period, it will provide (or will cause

to be provided) Transferred Employees with benefits that are, in the aggregate, substantially comparable to the benefits provided to Transferred Employees immediately prior to the Closing (other than any equity-based benefits). Notwithstanding the foregoing, the parties acknowledge and agree that the transactions contemplated by this Agreement with respect to any Member State of the European Community is a "relevant transfer" within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 1981, as amended from time to time and the regulations and/or laws implementing the European Council Directive of March 12, 2001 (2001/23/EC) relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of businesses and any country implementing legislation under such Directive as amended ("**EU Employment Regulations**"), and the parties shall cooperate in good faith to (i) satisfy, or cause to be satisfied, the information and consultation requirements of the EU Employment Regulations as they apply to the transactions contemplated by this Agreement and (ii) to comply with, or cause the compliance with, any other Applicable Law relating to the continuation of employment of employees or the offering of employment to individuals. Without limiting the generality of this Section 9.02(a), Section 9.02(b) through Section 9.02(l) shall apply to Transferred Employees, to the extent described therein.

(b) Buyer agrees that during the Relevant Period it will provide (or will cause to be provided) reasonable relocation benefits for any Transferred Employee (U.S.) whose principal location of employment is relocated to a location greater than 35 miles from his or her location of employment immediately prior to the Closing.

(c) With respect to each Employee Plan subject to Title IV of ERISA (each, a "**Seller DB Plan**"):

(i) effective on the Closing Date, Seller shall take all necessary actions to cause such Seller DB Plan to be amended (if required) to provide for the direct trust-to-trust transfer of assets and liabilities as contemplated in this Section 9.02(c);

(ii) as soon as reasonably practicable after the Closing Date, Buyer shall establish or designate, effective as of the Closing Date, a defined benefit pension plan and trust which shall be qualified under Section 401(a) of the Code (the "**Buyer DB Plan**") and shall cover Transferred Employees who are participants of the Seller DB Plan immediately prior to the Closing ("**DB Participants**"), and the parties shall cooperate in good faith to effect such establishment or designation as soon as reasonably practicable after the Closing Date. As soon as practicable following the establishment of the Buyer DB Plan, Seller and Buyer, if necessary, shall file with the Internal Revenue Service proper notice on IRS Form 5310A regarding the transfer of assets and liabilities from the Seller DB Plan to the Buyer DB Plan;

(iii) as soon as practicable after the date that is four months after the Closing Date (or if later, as soon after such date as the Certifications, as hereinafter defined, are received), Seller will cause the trustees of the Seller DB Plan to transfer the Initial Pension Amount, as hereinafter defined, to the Buyer DB Plan. As soon as practicable after the date that is six months after the Closing Date (or if later, as soon after such date as the Certifications, if not previously received, are received), the Seller will cause the trustees of the Seller DB Plan to transfer the Final Pension Amount, as hereinafter defined, to the Buyer DB Plan.

For purposes of this section, the "**Final Pension Amount**" shall mean (x) an amount of assets of the Seller DB Plan that would be allocated to DB Participants if the Seller DB Plan were terminated on the Closing Date and assets were allocated to participants in accordance with Section 4044 of ERISA

(A) using the methodology of the Pension Benefit Guaranty Corporation ("**PBGC**") for plan terminations,

(B) using the interest rate and mortality tables used by the PBGC and effective on the Closing Date for valuing annuities,

(C) assuming participants not in pay status will retire and elect a lump sum under the Seller DB Plan payable at

expected retirement age, as determined in accordance with Appendix D of PBGC Regulation Part 4044,

(D) using for purposes of determining the lump-sum value the interest rate and mortality table specified in the Seller DB Plan for valuing lump sums and effective for lump sums made on the Closing Date,

(E) without regard to any assets or liabilities associated with any account under the Seller DB Plan maintained pursuant to Section 401(h) of the Code and

(F) without any provisions for expenses as defined under ERISA Regulation 4044.3(a) and Part 4044, Appendix C,

adjusted to reflect (y) earnings on the balance of the amount described in clause (x) above outstanding (*i.e.*, not theretofore transferred in accordance with this section) from time to time at the rate of earnings on assets of the Seller DB Plan during the period from the Closing Date to the last day of the month ending prior to the actual date(s) of transfer, *minus* a portion of expenses paid from the trust proportional to the amount of assets to be transferred in relation to the total amount of assets of the Seller DB Plan prior to the transfer, and further reduced by any benefit payments made in respect of DB Participants (and their alternate payees, if any) prior to the actual date(s) of transfer,

less (z) the Initial Pension Amount;

the "**Initial Pension Amount**" shall be 85% of the amount described in clause (x) of the definition of Final Pension Amount, as estimated in the reasonable discretion of the enrolled actuary for the Seller DB Plan and agreed by the actuary for the Buyer DB Plan, such agreement not to be unreasonably withheld or delayed; and

the "**Certifications**" shall mean Buyer's certification to Seller, and Seller's certification to Buyer, in substantially the form attached hereto as Exhibit D, that the Buyer DB Plan and Seller DB Plan are qualified under the applicable provisions of the Code.

Notwithstanding the foregoing, the transfer of assets and liabilities from the Seller DB Plan to the Buyer DB Plan shall be required to satisfy the requirements of Section 414(l) of the Code. Buyer and Seller shall each use reasonable efforts to effect the asset and liability transfers contemplated in this Section 9.02(c) as soon as reasonably practicable; *provided* that the Initial Pension Amount and the Final Pension Amount

shall be transferred no later than the date that is eight months following the Closing Date;

(iv) all Liabilities associated with any participants of the Seller DB Plan (other than Liabilities associated with DB Participants upon the asset and liability transfers contemplated in this Section 9.02(c)) shall remain the responsibility of Seller;

(v) Buyer shall cause the Buyer DB Plan to credit each DB Participant with full past service credit for eligibility, vesting, benefit accrual and all other purposes from his or her date of employment (adjusted to reflect breaks in service in accordance with the provisions of the Seller DB Plan) with Seller and its Affiliates to the extent such service was credited on behalf of such DB Participant under the Seller DB Plan; and

(vi) Seller shall provide Buyer with all information requested by Buyer with respect to DB Participants and up to 10 other participants in the Seller DB Plan that is reasonably necessary to verify the calculation of the liabilities for such DB Participants used to determine the amount of assets transferred from the Seller DB Plan to the Buyer DB Plan as contemplated in Section 9.02(c)(iii).

(d) (i) As soon as reasonably practicable after the Closing Date, Buyer shall cover (or will cause to be covered), effective as of the Closing Date and for the Relevant Period, each Transferred Employee (U.S.) under one or more other defined contribution plans and trusts intended to qualify under Section 401(a) of the Code (collectively, the "**Buyer DC Plan**") on the same basis as similarly situated employees of Buyer and its Subsidiaries (*provided* that to the extent that Buyer and its Subsidiaries do not have similarly situated employees, the basis on which Transferred Employees (U.S.) shall participate in the Buyer DC Plan as of the Closing Date shall be substantially comparable to the basis on which they participated in any defined contribution plan and trust intended to qualify under Section 401(a) of the Code that is sponsored by Seller or any of its Affiliates as in effect immediately prior to the Closing (the "**Seller DC Plan**")) and on terms that reflect the service credit provisions of Section 9.02(f) . Effective as of the Closing Date or any subsequent date reasonably requested by Buyer (no later than the 60th day following the Closing Date), Transferred Employees (U.S.) shall be eligible to effect a "direct rollover" (as described in Section 401(a)(31) of the Code) of their account balances (including participant loans) under the Seller DC Plan to the Buyer DC Plan in the form of cash and participant loan notes; *provided* that any such direct rollover shall be subject to the terms and conditions of the Buyer DC Plan applicable to rollover contributions. Prior to the Closing Date, Seller shall amend and take any other action, or cause to be amended or have any other action taken, including requesting the approval of the Board of Directors or a

committee thereof, if necessary, to vest any account balances in respect of Transferred Employees (U.S.) in the Seller DC Plan that are unvested as of the Closing Date and make to the Seller DC Plan the *pro rata* portion of employer contributions, if any, in respect of Transferred Employees (U.S.) through the date immediately prior to the Closing; and

(ii) all Liabilities associated with any participants of the Seller DC Plan (other than Liabilities associated with Transferred Employees (U.S.) who elect a direct rollover of account balances as contemplated in this Section 9.02(d) and for whom such direct rollover is effected) shall remain the responsibility of Seller.

(e) With respect to each International Plan which provides retirement benefits (each, a "**Seller International Retirement Plan**"):

(i) effective on the Closing Date, each Transferred Employee (Non-U.S.) who is an active participant in a Seller International Retirement Plan shall be vested in his or her accrued benefit earned through the Closing Date;

(ii) effective on the Closing Date, each Transferred Employee (Non-U.S.) who is an active participant in a Seller International Retirement Plan shall cease to be an active participant under such International Retirement Plan and shall become a participant in one or more retirement plans established or designated by Buyer (collectively, the "**Buyer International Retirement Plan**");

(iii) as soon as practicable after the Closing, Seller shall cause the transfer from each Seller International Retirement Plan to the Buyer International Retirement Plan of assets and liabilities which are attributable to the Transferred Employees (Non-U.S.) who are participants as of the Closing Date in a Seller International Retirement Plan, where permissible by Applicable Law. Subject to Section 9.02(e)(iv), the amount of assets to be transferred (the "**International Transfer Amount**") shall be the amount determined as of the Closing Date, using service and compensation as of the Closing Date, and on the basis of the actuarial assumptions and valuations most recently used to determine employer contributions to such Seller International Retirement Plan. Such determination of the amount to be transferred shall be made by Seller's actuary and verified by Buyer's actuary (such verification not be unreasonably withheld). Buyer's actuary may comment with respect to the determination of the amount to be so transferred, and any such comments shall, in good faith, be taken into account by Seller's actuary. Within a reasonable period of time before the transfer, Seller's actuary shall provide such other information as may be reasonably necessary to

permit Buyer's actuary to comment with respect to the determination of such amount. In the event that the trustee of the Seller International Retirement Plan is precluded from Applicable Law from transferring an amount equal to the International Transfer Amount, the transfer from the Seller International Retirement Plan to the Buyer International Retirement Plan shall be limited as required by Applicable Law, and Seller shall separately pay to Buyer any difference between the Transfer Amount and the maximum asset transfer as subsequently determined under Applicable Law;

(iv) where the Seller International Retirement Plan is a defined contribution plan, the Transfer Amount shall be equal to the account balances on the Closing Date of the Transferred Employees (Non-U.S.);

(v) Buyer agrees to enroll the Transferred Employees (Non-U.S.) who are participants in a Seller International Retirement Plan in a Buyer International Retirement Plan, and the Buyer International Retirement Plan shall be liable for benefits with respect to such Transferred Employees (Non-U.S.) accrued under the Seller International Retirement Plan prior to the Closing Date; and

(vi) if a transfer in accordance with Section 9.02(e)(iii) is not permissible, and a Transferred Employee (Non-U.S.) transfers his or her pension rights to a Buyer International Retirement Plan following the Closing Date, the amount of assets to be

transferred (or any additional amount required to be transferred by Seller as a result of a shortfall) with respect to him or her shall be determined by this Section 9.02(e); *provided* that the amount so transferred shall not be less than the amount required to be transferred under Applicable Law.

(f) Buyer shall grant (or will cause to be granted) each Transferred Employee credit for years of prior service with the Seller or any of its Affiliates or their respective predecessors for all purposes (other than for any purpose under any equity-based plan or arrangement) to the extent and for the purposes credited under an analogous Employee Plan or International Plan prior to the Closing Date; *provided* that no service credit shall be granted to the extent any duplication of benefits results.

(g) Effective as of the Closing Date (or such later date as may be provided pursuant to the Transition Services Agreement; *provided* that Buyer cooperates in good faith with Seller in the establishment, effective as of the Closing Date, of mirror health and welfare benefit plans by Buyer and its Subsidiaries), each Transferred Employee shall cease participation in the health and welfare benefit plans of Seller and any of its Affiliates (other than a Purchased Subsidiary and its Subsidiaries to the extent such health and welfare

benefit plan is maintained solely for the employees of a Purchased Subsidiary or one of its Subsidiaries) (each, a "**Seller Welfare Plan**") and commence participation in the health and welfare benefit plans maintained, administered or contributed to by Buyer and its Subsidiaries (each, a "**Buyer Welfare Plan**"). Seller and its Affiliates (other than the Purchased Subsidiaries and their Subsidiaries) shall be responsible for claims incurred under a Seller Welfare Plan for Transferred Employees prior to the Closing Date. All claims incurred under a Buyer Welfare Plan for Transferred Employees on or after the Closing Date shall be the responsibility of Buyer and its Subsidiaries. For purposes of this Section 9.02(g), the following claims shall be deemed to be incurred as follows: (i) life, accidental death and dismemberment and business travel accident insurance benefits, upon the death or accident giving rise to such benefits; (ii) health or medical, dental, vision care and/or prescription drug benefits, upon provision of such services, materials or supplies; and (iii) short- and long-term disability benefits, upon the event that gives rise to the disability. Notwithstanding the foregoing and subject to the provisions of Section 9.01 pertaining to U.S. Business Employees on short-term disability, Seller and Buyer hereby agree that (A) any Business Employee who as of the Closing Date is receiving short-term or long-term disability benefits (or who has satisfied the requirements for receiving such benefits), shall become eligible or continue to be eligible, as applicable, to receive such benefits under Seller's short-term or long-term disability plan, as applicable, unless and until such individual is no longer disabled, and (B) Seller shall be solely liable for any other liabilities, obligations or commitments arising in connection with any Business Employee who is receiving long-term disability benefits (or who has satisfied the requirements for receiving such benefits) as of the Closing Date.

(h) Buyer shall (or will cause one of its Subsidiaries to):

(i) where reasonably possible during the plan year in which the Closing Date occurs, waive all limitations as to pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to the Transferred Employees (U.S.) under any health and welfare plans in which such Transferred Employees (U.S.) are eligible to participate after the Closing Date to the extent that such limitations were waived under the applicable Employee Plan; and

(ii) where reasonably possible, provide each Transferred Employee (U.S.) with credit during the plan year in which the Closing Date occurs for any co-payments and deductibles paid prior to the Closing Date in satisfying any applicable deductible or out-of-pocket requirements under any health and welfare plans that such Transferred Employees (U.S.) are eligible to participate in after the Closing Date.

(i) As of the Closing Date, Seller shall transfer from medical and dependent care account plans of Seller and any of its Affiliates (other than a Purchased Subsidiary and its Subsidiaries) (each, a "**Seller FSA Plan**") to one or more medical and

dependent care account plans established or designated by Buyer (collectively, the "**Buyer FSA Plan**") the account balances in respect of 2006 (*provided* that the Closing Date occurs in 2006) of Transferred Employees (U.S.), and Buyer shall be responsible for the obligations of the Seller FSA Plans to provide benefits to Transferred Employees (U.S.) with respect to such transferred account balances on or after the Closing Date. Each Transferred Employee (U.S.) shall be permitted to continue to have payroll deductions made as most recently elected by him or her under the applicable Seller FSA Plan. Buyer shall reimburse Seller for benefits paid by the Seller FSA Plans in respect of claims incurred in 2006 (*provided* that the Closing Date occurs in 2006) to any Transferred Employee (U.S.) prior to the Closing Date to the extent in excess of the payroll deductions made in respect of such Transferred Employee (U.S.) on or prior to the Closing Date, but only to the extent of the amount that such Transferred Employee (U.S.) continues to contribute to the Buyer FSA Plan.

(j) Any Transferred Employee (U.S.) who (A) is terminated other than for cause during the Relevant Period, or (B) rejects an offer of employment from Buyer or one of its Affiliates at Closing (which offer of employment did not meet the requirements of Section 9.02(a) or required that the Transferred Employee (U.S.) relocate his or her principal location of employment to a location greater than 35 miles from his or her location of employment immediately prior to the Closing) and does not otherwise accept another offer of employment from Buyer or one of its Affiliates at Closing, shall be entitled to severance from Buyer in an amount equal to what he or she would have received under the severance plan of Seller or its Affiliates (as in effect on the date hereof, other than immaterial changes made to avoid or minimize the effect of the application of Section 409A of the Code and the Treasury regulations and guidance promulgated thereunder) applicable to such Transferred Employee (U.S.) (taking into account any post-Closing service with Buyer or any of its Subsidiaries), assuming for purposes of this Section 9.02(j) that such Transferred Employee (U.S.) had satisfied any requirements for the receipt of severance under such plan or policy; *provided* that in order to receive an enhanced severance benefit such Transferred Employee (U.S.) executes, delivers and does not revoke a general release in favor of Seller, Buyer and their respective Affiliates.

(k) Any Transferred Employee (U.S.) shall carry over to Buyer or one of its Affiliates any "banked" time that he or she has accrued as of immediately prior to the Closing under the policy of Seller and its Affiliates with respect to paid time-off. With respect to any such Transferred Employee (U.S.) whose accrued "banked" time at the end of the calendar year in which the Closing occurs is in excess of the amount of "banked" time that such Transferred Employee (U.S.) would have been entitled to accrue during an 18-month period under the

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policy of Seller and its Affiliates with respect to paid time-off (as in effect immediately prior to the Closing), Buyer may, at its election, pay (or may cause to be paid) cash to such Transferred Employee (U.S.) in lieu of such excess accrued "banked" time in accordance with the policy of Seller and its Affiliates with respect to the cash-out of excess "banked" time (as in effect immediately prior to the Closing), and any such excess accrued "banked" time that is not so cashed out shall continue to be carried over. With respect to any such Transferred Employee (U.S.) whose employment terminates for any reason, Buyer shall pay cash to such Transferred Employee (U.S.) in lieu of any accrued "banked" time that he or she has accrued as of the effective date of such termination in accordance with the policy of Seller and its Affiliates with respect to the cash-out of accrued time "banked" by terminated employees (as in effect immediately prior to the Closing). The treatment of any accrued but unused vacation, sick or personal leave or time-off in respect of any Transferred Employee (Non-U.S.) shall be in accordance with Applicable Law.

(l) With respect to each Employee Plan that provides retiree medical benefits to Business Employees and that is funded through a voluntary employee's beneficiary association ("**VEBA**") and an account under Section 401(h) of the Code (collectively, the "**Seller Retiree Medical Plan**"):

(i) effective as of the Closing Date, Seller shall take all necessary actions to cause the appropriate plan and trust documents to be amended (if and to the extent necessary) to provide for the direct trust-to-trust transfer of assets and liabilities as contemplated in this Section 9.02(l), including requesting the approval of the Board of Directors or a committee thereof, if necessary;

(ii) as soon as reasonably practicable after the Closing Date, Buyer shall establish or designate, effective as of the Closing Date, a retiree medical plan and a VEBA or VEBAs which shall be qualified under Section 501(c)(9) of the Code (collectively,

the "**Buyer Retiree Medical Plan**") on behalf of Transferred Employees (U.S.), and the parties shall cooperate in good faith to effect such establishment or designation as soon as reasonably practicable after the Closing Date;

(iii) as soon as practicable after the later of (x) four months after the Closing Date and (y) the dates of receipt by Buyer and Seller of Buyer's certification to Seller and Seller's certification to Buyer, in substantially the form attached hereto as Exhibit E, that the Buyer's VEBA(s) and Seller's VEBA(s) are qualified under the applicable provisions of the Code, the assets and liabilities associated with all Transferred Employees (U.S.) (and their spouses and other dependents, if any) shall be transferred from the Seller's VEBA(s) to the Buyer's VEBA(s). The amount of assets accumulated to provide retiree medical

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benefits in the Seller's account VEBA(s) that will be transferred shall be the aggregate amount of assets in the Seller's VEBA(s), *multiplied b*y a fraction, the numerator of which is the accumulated postretirement benefit obligation (APBO) in the Seller Retiree Medical Plan for the Transferred Employees (U.S.) (and their spouses and other dependents, if any) immediately prior to the Closing Date, and the denominator of which is the APBO for all participants and their spouses and other dependents (if any) in the Seller Retiree Medical Plan, including Transferred Employees (U.S.) (and their spouses and other dependents, if any) at such date. The plan provisions, census data, valuation methods and actuarial assumptions used to determine the APBO shall be the same as those used by Seller to determine the SFAS 106 curtailment charge for the transactions contemplated hereby. The assets to be transferred shall be credited with earnings on the balance outstanding from time to time at the rate of earnings of the entire trust on assets of the Seller's VEBA(s) during the period from the Closing Date to the last day of the month ending prior to the actual date(s) of transfer, *minus* a portion of expenses paid from the trust proportional to the amount of assets to be transferred in relation to the total amount of assets of the Seller's VEBA(s) prior to the transfer, and further reduced by any benefit payments made in respect of Transferred Employees (U.S.) (and their spouses and other dependents, if any) prior to the actual date(s) of transfer. Buyer and Seller shall each use reasonable efforts to effect the asset and liability transfers contemplated in this Section 9.02(l) as soon as reasonably practicable;

(iv) all Liabilities associated with any participants of the Seller Retiree Medical Plan (other than Liabilities associated with Transferred Employees (U.S.) and their spouses and other dependants, if any, upon the asset and liability transfers contemplated in this Section 9.02(l)) shall remain the responsibility of Seller;

(v) Buyer shall cause the Buyer Retiree Medical Plan to credit each Transferred Employee (U.S.) with full past service credit for eligibility, vesting, benefit accrual and all other purposes from his or her date of employment (adjusted to reflect breaks in service in accordance with the provisions of the Seller Retiree Medical Plan) with Seller and its Affiliates to the extent such service was credited on behalf of such Transferred Employee (U.S.) under the Seller Retiree Medical Plan.

(vi) Seller shall provide Buyer with all information requested by Buyer with respect to Transferred Employees (U.S.) and up to 10 other participants in the Seller Retiree Medical Plan that is reasonably necessary to verify the calculation of the liabilities for such Transferred Employees used to determine the amount of assets transferred from the Seller Retiree

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Medical Plan to the Buyer Retiree Medical Plan as contemplated by Section 9.02(l)(iii);

(vii) the assets transferred pursuant to Section 9.02(l)(iii) plus all future investment earnings thereon shall be exclusively used to pay for retiree medical benefits and related administration costs for Transferred Employees (U.S.) (and their spouses or other dependents, if any) and, for so long as the provisions of the Buyer Retiree Medical Plan are substantially the same as those of the Seller Retiree Medical Plan (as of the Closing Date) for other employees (including spouses and other dependents thereof) of the Business to the extent permitted by Applicable Law; and

(viii) for the avoidance of doubt, effective as of the Closing Date, Transferred Employees (U.S.) shall be eligible to receive benefits under the Buyer Retiree Medical Plan and shall not be eligible to receive benefits under the Seller Retiree Medical

Plan.

Section 9.03 . *Employee Communications.* The initial communication with Business Employees relating to the transactions contemplated by the Transaction Documents shall be agreed upon by the parties. Thereafter, until the Closing, the parties agree to consult with each other before making any further communication with Business Employees of a similar widely disseminated nature, and neither party shall make any such further communication that is inconsistent with communications previously agreed upon unless the content thereof shall have been agreed upon by the other party (it being understood that Seller may respond to questions from Business Employees on matters within the scope of the initial communication and not inconsistent therewith).

Section 9.04 . *Acknowledgement.* Buyer and Seller acknowledge and agree that nothing contained in this Article 9 shall be construed to limit in any way the ability of Buyer or its Affiliates to terminate the employment of any Transferred Employee from and after the Closing Date; *provided* that such termination is in accordance with Applicable Law.

Section 9.05 . *No Third-party Beneficiaries.* Without limiting the generality of Section 13.07, nothing in this Article 9, express or implied, is intended to confer any rights, benefits, remedies, obligations or liabilities under this Agreement upon any Person, including any current or former Business Employee (including any Transferred Employee), other than the parties to this Agreement and their respective successors and assigns.

ARTICLE 10

CONDITIONS TO CLOSING

Section 10.01. *Conditions to Obligations of Buyer and Seller*. The obligations of Buyer and Seller to consummate the Closing are subject to the satisfaction (or, to the extent permitted by Applicable Law, waiver by each party) of the following conditions:

(a) any applicable waiting period under the HSR Act relating to the transactions contemplated hereby shall have expired or been terminated;

(b) all approvals pursuant to Competition Laws listed on Section 10.01(b) of the Disclosure Schedule shall have been obtained;

(c) all approvals of Governmental Authorities listed on Section 10.01(c) of the Disclosure Schedule shall have been obtained;

(d) no provision of any Applicable Law shall prohibit the consummation of the Closing or subject the Buyer or Seller to any penalty or other condition that would reasonably be expected to have a Material Adverse Effect; and

(e) the Restructuring with respect to TI Korea shall have been completed.

Section 10.02. *Conditions to Obligation of Buyer*. The obligation of Buyer to consummate the Closing is subject to the satisfaction (or, to the extent permitted by Applicable Law, waiver by Buyer) of the following further conditions:

(a) (i) Seller shall have performed in all material respects all of its obligations hereunder required to be performed by it on or prior to the Closing Date, (ii) the representations and warranties of Seller contained in this Agreement (disregarding all materiality and Material Adverse Effect qualifications) shall be true when made and at and as of the Closing Date, as if made at and as of such date, with only such exceptions as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect and (iii) Buyer shall have received a certificate signed by an officer of Seller to the foregoing effect;

(b) all consents of third parties required by the agreements listed in Section 10.02(b) of the Disclosure Schedule shall have been obtained;

(c) all governmental licenses, authorizations, permits, consents and approvals required to carry on the Business as now conducted shall have been transferred to or otherwise obtained by Buyer on or before the Closing Date, with only such exceptions as would not reasonably be expected to have a Material Adverse Effect;

(d) Buyer shall have received all documents it may reasonably request relating to (i) the existence of Seller and its Subsidiaries (including the Purchased Subsidiaries) and (ii) the authority of Seller for this Agreement, all in form and substance reasonably satisfactory to Buyer; and

(e) The proceeds of the Debt Financing shall have been received by Buyer, or shall be fully available to Buyer, on substantially the terms and conditions set forth in the Debt Commitment Letter (including after giving effect to any changes pursuant to the "market flex" provisions thereof); *provided* that Buyer shall not be entitled to assert the failure of the condition set forth in this Section 10.02(e) if the failure of the Debt Financing to be consummated has resulted solely from the failure of the Equity Financing to be consummated.

Section 10.03. *Conditions to Obligation of Seller*. The obligation of Seller to consummate the Closing is subject to the satisfaction (or, to the extent permitted by Applicable Law, waiver by Seller) of the following further conditions:

(a) (i) Buyer shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Closing Date, (ii) the representations and warranties of Buyer contained in this Agreement shall be true in all material respects when made and at and as of the Closing Date, as if made at and as of such date and (iii) Seller shall have received a certificate signed by an officer of Buyer to the foregoing effect; and

(b) Seller shall have received all documents it may reasonably request relating to the existence of Buyer and the authority of Buyer for this Agreement, all in form and substance reasonably satisfactory to Seller.

ARTICLE 11

SURVIVAL; INDEMNIFICATION

Section 11.01. *Survival*. The representations and warranties of the parties hereto contained in this Agreement shall survive the Closing until April 30, 2007; *provided* that (i) the representations and warranties contained in Sections 3.17

(*Finders' Fees*) and 4.07 (*Finders' Fees*) shall survive indefinitely or until the latest date permitted by law, (ii) the representations and warranties contained in Section 3.20 (*Environmental Compliance*) shall survive until the fifth anniversary of the Closing Date and (iii) the representations and warranties contained in Article 8 (*Tax Matters*) shall survive until 30 days after the expiration of the applicable statute of limitations (giving effect to any waiver, mitigation or extension thereof). The covenants and agreements of the parties hereto contained in this Agreement shall survive the Closing indefinitely or for the shorter period explicitly specified therein, except that for such covenants and agreements that survive for such shorter period, breaches thereof shall survive indefinitely or until the latest date permitted by law. Notwithstanding the preceding two sentences, any breach of covenant, agreement, representation or warranty in respect of which indemnity may be sought under this Agreement shall survive the time at which it would otherwise terminate pursuant to the preceding two sentences, if notice of the inaccuracy thereof giving rise to such right of indemnity shall have been given to the party against whom such indemnity may be sought prior to such time.

Section 11.02. *Indemnification*. (a) Effective at and after the Closing, Seller indemnifies Buyer and its Subsidiaries (including the Purchased Subsidiaries) and each of their respective Affiliates, officers, directors, employees, agents and Representatives (each, a "**Buyer Indemnified Party**") against and agrees to hold each of them harmless from any and all damage, loss, Liability and expense (including reasonable expenses of investigation and reasonable attorneys' fees and expenses in connection with any action, suit or proceeding whether involving a third party claim or a claim solely between the parties hereto) ("**Damages**") incurred or suffered by a Buyer Indemnified Party arising out of:

(i) subject to the terms of Section 11.03(g)(v), any misrepresentation or breach of warranty (each such misrepresentation and breach of warranty, a "**Warranty Breach**") or breach of covenant or agreement made or to be performed by Seller

pursuant to this Agreement;

(ii) any Excluded Liability (other than an Identified Environmental Liability);

(iii) any Purchased Subsidiary Liability;

(iv) the matters described in item 1 or 2 of Section 3.11 of the Disclosure Schedule (the "**Specified Matters**");

(v) any Identified Environmental Liability;

(vi) any of the matters described in Section 11.02(a)(vi) of the Disclosure Schedule;

(vii) any of the matters described in Section 11.02(a)(vii) of the Disclosure Schedule; or

(viii) the restructuring described in item 8 of Section 3.08(f) of the Disclosure Schedule and item 1 of Section 3.09 of the Disclosure Schedule to the extent that the amount of such Damages exceeds the reserve reflected in Final Working Capital with respect to such restructuring;

provided that (A) Seller shall not be liable for Warranty Breaches, Specified Matters, Infringement Claims (as defined in Section 11.02(a)(vii) of the Disclosure Schedule) or TSA Consequential Damages (as defined in the Transition Services Agreement) unless the aggregate amount of Damages with respect to all Warranty Breaches, the Specified Matters, Infringement Claims and TSA Consequential Damages exceeds $30,000,000 and then only to the extent of such excess (the "**Seller General Basket**"), (B) Seller's maximum aggregate liability for all Warranty Breaches, the Specified Matters, the Identified Environmental Liabilities, all Infringement Claims and all TSA Consequential Damages shall not exceed $300,000,000 (the "**Seller Cap**") and (C) with respect to Infringement Royalty/Cover Damages (as defined in Section 11.02(a)(vii) of the Disclosure Schedule) under clause (vii) above that are indemnifiable after exhaustion of the Seller General Basket, Seller's liability under this Agreement shall be limited to 80% of such Infringement Royalty/Cover Damages in excess of the Seller General Basket (and subject, for the avoidance of doubt, to the Seller Cap); and *provided further* that (1) Seller shall not be liable with respect to any single claim or group of related claims with respect to a Warranty Breach or an Infringement Claim that results in Damages of $100,000 or less (and such Damages shall not be applied to the Seller General Basket), (2) with respect to indemnification by Seller for Identified Environmental Liabilities, Seller shall not be liable unless the aggregate amount of Damages with respect to all such Identified Environmental Liabilities exceeds $497,000 and then only to the extent of such excess (the "**Seller Environmental Basket**") and (3) the Seller General Basket, the Seller Cap and clause (1) of this proviso shall not apply with respect to Warranty Breaches related to the Excluded Representations. For the avoidance of doubt, Seller shall not be liable for any Damages relating to a Warranty Breach of Section 3.07 or 8.01(a) to the extent a Buyer Indemnified Party has been compensated for such Damages pursuant to Seller's performance of its obligations to pay Taxes to the relevant Taxing Authority or reimburse Buyer pursuant to Article 8.

(b) Effective at and after the Closing, Buyer indemnifies Seller and its Subsidiaries and each of their respective Affiliates, officers, directors, employees, agents and Representatives (each, a "**Seller Indemnified Party**") against and agrees to hold each of them harmless from any and all Damages incurred or suffered by Seller or any of its Affiliates arising out of:

(i) any Warranty Breach or breach of covenant or agreement made or to be performed by Buyer pursuant to this Agreement; or

(ii) any Assumed Liability (except, with respect to the Specified Matters, any Identified Environmental Liability, any Warranty Breach or any Infringement Claim, to the extent that Seller is required to indemnify the Buyer Indemnified Parties pursuant to Section 11.02(a));

provided that (A) Buyer shall not be liable for Warranty Breaches or TSA Consequential Damages unless the aggregate amount of Damages with respect to all Warranty Breaches and TSA Consequential Damages exceeds $30,000,000 and then only to the extent of such excess (the "**Buyer Basket**") and (B) Buyer's maximum liability for all such Warranty Breaches and TSA Consequential Damages shall not exceed $300,000,000 (the "**Buyer Cap**"); and *provided further* that (1) Buyer shall not be liable with respect to any single claim or group of related claims with respect to a Warranty Breach that results in Damages of $100,000 or less (and such Damages shall not be applied to the Buyer Basket) and (2) the Buyer Basket, the Buyer Cap and clause (1) of this proviso shall not apply with respect to Warranty Breaches related to the Excluded Representations.

(c) All Warranty Breaches (except for Warranty Breaches with respect to Section 3.08(a) or Section 3.10(a)(xi)) shall, for purposes of Sections 11.02(a) and 11.02(b), be determined without giving effect to any qualification in the representations and warranties of Seller or Buyer as to materiality, in all material respects, Material Adverse Effect, material adverse effect or words of similar effect.

Section 11.03. *Procedures*. (a) Any party(ies) entitled to indemnification under Section 11.02 (the "**Indemnified Party**") agrees to give prompt notice to the party from whom the Indemnified Party is entitled to seek indemnification (the "**Indemnifying Party**") of the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which the Indemnified Party is entitled to seek indemnification under Section 11.02 (it being understood that a party's entitlement to indemnification shall be determined without regard to the application of (i) the Seller General Basket, Seller Environmental Basket and Buyer Basket (collectively, the "**Baskets**") and (ii) the Seller Cap and Buyer Cap (collectively, the "**Caps**")) and will provide the Indemnifying Party such information with respect thereto that the Indemnifying Party may reasonably request. The failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder, except to the extent such failure shall have adversely prejudiced the Indemnifying Party.

(b) Seller shall control and appoint lead counsel for the defense of any claim asserted by any third party (a "**Third Party Claim**") that is an Excluded Liability. In addition, the Indemnifying Party shall be entitled to control and

appoint lead counsel for the defense of any Third Party Claim or any Environmental Matter if (i) it is reasonably expected that indemnification payments to be made by the Indemnifying Party in respect of such Third Party Claim or Environmental Matter in accordance with Section 11.02 (taking into account the Baskets and the Caps) will be greater than the harm suffered by the Indemnified Party as a result of such Third Party Claim, including any injunctive, equitable or other non-monetary relief sought by such third party, (ii) the Indemnifying Party shall acknowledge in writing its obligation to indemnify the Indemnified Party for any Damages relating to such Third Party Claim or Environmental Matter (subject to the limitations on indemnification set forth in this Article 11, including the Baskets and the Caps) and (iii) the Indemnifying Party shall notify the Indemnified Party that it has elected to assume such defense promptly but in any event within 30 days after receipt of the notice with respect to such Third Party Claim referred to in Section 11.02(a) or, with respect to Environmental Matters, in a timely manner given the facts and circumstances and changes thereto or development thereof over time (it being understood that the Indemnified Party shall be entitled to take such actions as may be required to defend such Third Party Claim, including if necessary seeking extensions of time to respond to pleadings and the like, prior to the receipt of such acknowledgement within the 30-day period referred to above). The Indemnified Party shall be entitled to control and appoint lead counsel for the defense of any Third Party Claim if the Indemnifying Party is not entitled to, or fails to, elect to assume the defense of such claim pursuant to the foregoing sentence, or thereafter if the Indemnifying Party fails or ceases to prosecute such claim with reasonable diligence.

(c) The party controlling the defense of any Third Party Claim or Environmental Matter in accordance with the provisions of this Section 11.03 (the "**Controlling Party**") (i) shall pay all the costs of such defense (including attorneys' fees), *provided* that if the Indemnified Party is the Controlling Party, then such costs shall be considered Damages arising out of such Third Party Claim for purposes of Section 11.02, and (ii) shall obtain the prior written consent of the other party (the "**Non-Controlling Party**") before entering into any settlement of such Third Party Claim or Environmental Matter, such consent not to be unreasonably withheld (A) if the settlement does not impose injunctive or other equitable relief against the Non-Controlling Party or (B) with respect to Environmental Matters, if the settlement is consistent with the terms of Section 11.03(g) . The Non-Controlling Party shall be entitled to participate in the defense of such Third Party Claim and to employ separate counsel of its choice for such purpose. The fees and expenses of such separate counsel shall be paid by the Non-Controlling Party, unless in the reasonable judgment of counsel to the Non-Controlling Party there is a conflict of interest between the Controlling Party and the Non-Controlling Party, in which case such fees and expenses shall be paid by the Controlling Party

(*provided* that if the Indemnified Party is the Controlling

Party, then such fees and expenses shall be considered Damages arising out of such Third Party Claim for purposes of Section 11.02) . In any Third Party Claim where an Indemnified Party is the Non-Controlling Party and which involves any material customer or supplier of the Indemnified Party or its Affiliates, such participation shall in any event include the right of the Non-Controlling Party to engage in direct discussions with the other parties to such Third Party Claim, including discussions concerning the claim and the potential resolution thereof; *provided* that (1) such participation right shall not alter the rights of the Controlling Party to control and direct the defense of such Third Party Claim, including the right to reject or accept any resolution proposed by the Non-Controlling Party in such Controlling Party's sole discretion, and (2) the Non-Controlling Party shall disclose to such other parties that in conducting any such discussions, the Non-Controlling Party is acting on its own behalf and not as a Representative of the Controlling Party and the Non-Controlling Party is not authorized to agree to any settlement with respect to such Third Party Claim. With respect to any Third Party Claim relating to the Specified Matters, the Controlling Party shall retain the legal counsel identified in Section 11.03(c) of the Disclosure Schedule with respect thereto and shall not replace or discharge such counsel absent good cause.

(d) Each party shall cooperate, and cause their respective Affiliates to cooperate, in the defense or prosecution of any Third Party Claim and shall furnish or cause to be furnished such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials or appeals, as may be reasonably requested in connection therewith. In furtherance and not in limitation of the foregoing, in connection with the defense of any Infringement Claim, Buyer shall, to the extent requested by Seller, assert (or, in Buyer's sole discretion, allow Seller to assert on its behalf) against the Person making such Infringement Claim any claims for infringement or misappropriation of Business Intellectual Property Rights for which there is a reasonable basis in law and fact. A Controlling Party shall, to the extent requested by the Non-Controlling Party, (i) keep the Non-Controlling Party reasonably informed relating to the progress of any significant matter (including providing the Non-Controlling Party with periodic summaries of the status of such Third Party Claim and the amounts spent with respect thereto and copies of all material plans, reports and external correspondence and notifying the Non-Controlling Party of, and giving the Non-Controlling Party the opportunity to attend, scheduled voice or in-person conferences with regulators or other third parties) and (ii) provide the Non-Controlling Party with a reasonable period of time, given the specific circumstances, to permit such party to comment on any material proposed actions, and to consider in good faith any such comments.

(e) Each Indemnified Party must mitigate as required by Applicable Law any loss for which such Indemnified Party seeks indemnification under this Agreement. If such Indemnified Party mitigates its loss after the Indemnifying

Party has paid the Indemnified Party under any indemnification provision of this Agreement in respect of that loss, the Indemnified Party must notify the Indemnifying Party and pay to the Indemnifying Party the extent of the value of the benefit to the Indemnified Party of that mitigation (less the Indemnified Party's reasonable costs of mitigation) within two Business Days after the benefit is received.

(f) Each Indemnified Party shall use its reasonable efforts to collect any amounts available under insurance coverage, or from any other Person alleged to be responsible, for any Damages payable under Section 11.02.

(g) In addition to the provisions set forth in Section 11.03(a), 11.03(b), 11.03(c), 11.03(e) and 11.03(f) above, with respect to any matter for which Buyer or its Affiliates seek indemnification relating to a Warranty Breach of Section 3.20, an Excluded Environmental Liability, an Identified Environmental Liability or any other environmental matter otherwise subject to indemnification under the terms of this Agreement ("**Environmental Matters**"):

(i) Except as set forth in Section 11.03(b), Buyer will retain the defense, control and resolution of any Environmental Matters, including disclosure, investigation, negotiation, performance and settlement of such matters. With respect to any Environmental Matters, the Controlling Party shall, to the extent requested by the Non-Controlling Party, (1) keep the other party reasonably informed relating to the progress of any significant matter (including providing the Non-Controlling Party with copies of all material plans, reports and external correspondence and notifying the other party of, and giving the Non-Controlling Party the opportunity to attend, scheduled voice or in-person conferences with regulators or other third parties), (2) provide the other party with a reasonable period of time, given the specific circumstances, to permit such party to comment on any material proposed actions, and to consider in good faith any such comments and (3) not unreasonably interfere with the ordinary course operation of the business at any Real Property or with the continuing use of the Real Property in the manner being used as of the Closing Date;

(ii) Buyer agrees to, and shall cause its Affiliates to, cooperate with Seller in providing all necessary and reasonably requested access to properties, facilities, employees and records and timely providing Seller with copies of all communications relating to such matter received from any Governmental Authority or third party;

(iii) Each party agrees to cooperate, and to cause their respective Affiliates to cooperate, in the defense or prosecution of any Environmental Matter and shall provide to the other party with copies of

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any and all material environmental audits, studies, action plans, tests and communications with any Governmental Agency or third party relating to investigatory, remedial or other activities with respect to any property which may be subject to a claim for indemnification for any Environmental Matters;

(iv) Seller's obligation to indemnify Buyer or any of its Affiliates shall be limited to those Damages which must be incurred, based upon (1) the use of a reasonable and cost-effective method available under the circumstances and (2) the industrial or commercial use of the property as of the Closing Date, to meet, in a reasonably cost-effective manner, the requirements of any applicable Environmental Law or to meet the demands of any applicable Governmental Authority or as required by any judicial or administrative resolution, order or settlement agreement of a Third Party Claim otherwise complying with the terms of this Agreement. To the extent necessary to achieve the purposes set forth in this Section, Buyer and its Affiliates agree that engineering or institutional controls and a deed or other restriction are each a reasonable cost-effective method, so long as such control or restriction does not materially limit the industrial or commercial activities being performed on the applicable property as of the Closing Date.

(v) Seller shall have no liability under this Agreement for any Damages relating to Environmental Matters to the extent arising out of any sampling of the soil or groundwater or any disclosure, report, or communication to any Governmental Authority or third party by Buyer or any of its Affiliates (or by a Third Party Buyer of any Real Property as described in clause (B) below), or out of the initiation or encouragement by Buyer or any of its Affiliates of any action by any Governmental Authority or third party unless:

(A) Buyer or any of its Affiliates reasonably believes it must investigate, take action, initiate or encourage any such action due to (1) the requirements of any applicable law, including any Environmental Law, (2) a need to respond to any Third Party Claim against Buyer or its Affiliates, (3) the discovery of a condition first identified as a result of construction activities which would have been undertaken in the ordinary course of operating the site in the manner in which it is operating as of the Closing Date, in the absence of an indemnity or (4) the discovery of a condition in the ordinary course of operating the site in the manner in which it is operating as of the Closing Date which condition, if unaddressed, would reasonably be expected to result in a material Third Party Claim or imminent and substantial risk to human health;

(B) Buyer or any of its Affiliates reasonably believes that it (or any Third Party Buyer) must investigate, take action, initiate

or encourage any such action to meet the demands of a reasonable third party buyer or its financing parties (collectively, "**Third Party Buyers**") in connection with the sale of the applicable Real Property to such third party or any other transaction involving the direct or indirect transfer of, or related encumbrance on, the applicable Real Property; *provided* that the liability of Seller under this Agreement for any Damages for any Environmental Matters triggered by such Third Party Buyer requirement shall be limited to 50% of any Damages incurred by Buyer or its Affiliates, to be determined after the application of the Baskets and Caps; and

(C) Buyer or any of its Affiliates investigates, takes action, initiates or encourages any such action other than as described above, in which case the liability of Seller under this Agreement for any Damages relating to Environmental Matters triggered by such investigation, action, initiation or encouragement shall be limited to 20% of any Damages incurred by Buyer or its Affiliates, to be determined after the application of the Baskets and Caps.

Section 11.04. *Calculation of Damages*. (a) The amount of any Damages payable under Section 11.03 by the Indemnifying Party shall be net of any (i) amounts actually recovered by the Indemnified Party under applicable insurance policies, or from any other Person alleged to be responsible therefor and (ii) Tax benefit actually realized by the Indemnified Party arising from the incurrence or payment of any such Damages (taking into account any current or future Tax costs). In computing the amount of any such Tax benefit, the Indemnified Party shall be deemed to fully utilize, at the highest applicable marginal tax rate then in effect, all Tax items arising from the incurrence or payment of any indemnified Damages, with such Tax items to be the last items taken into account. If the Indemnified Party receives any amounts under applicable insurance policies, or from any other Person alleged to be responsible for any Damages, subsequent to an indemnification payment by the Indemnifying Party, then such Indemnified Party shall promptly reimburse the Indemnifying Party for any payment made or expense incurred by such Indemnifying Party in connection with providing such indemnification payment up to the amount received by the Indemnified Party, net of any expenses incurred by such Indemnified Party in collecting such amount.

(b) The Indemnifying Party shall not be liable under Section 11.02 for any (i) Damages to the extent that the Liability relating thereto has been taken into account as a liability in calculating Final Working Capital pursuant to the

Purchase Price adjustment under Section 2.11 or (ii) punitive Damages (other than any punitive Damages payable to a third party).

(c) Any indemnification payment made pursuant to this Agreement shall be treated by Buyer and Seller as an adjustment to the Purchase Price for Tax purposes.

Section 11.05. *Assignment of Claims*. If the Indemnified Party receives any payment from an Indemnifying Party in respect of any Damages pursuant to Section 11.02 and the Indemnified Party could have recovered all or a part of such Damages from a third party (a "**Potential Contributor**") based on the underlying Claim asserted against the Indemnifying Party, the Indemnified Party shall assign such of its rights to proceed against the Potential Contributor as are necessary to permit the Indemnifying Party to recover from the Potential Contributor the amount of such payment; *provided* that the Indemnified Party shall not be required to assign any right to proceed against a Potential Contributor if the Indemnified Party determines in its reasonable discretion that such assignment would be materially detrimental to its reputation, future business prospects or customer, supplier, or employee relationships.

Section 11.06. *Exclusivity*. Except as specifically set forth in this Agreement or any other Transaction Document, Buyer waives any rights and claims Buyer may have against Seller, whether in law or in equity, relating to the pre-Closing conduct of the Business or the transactions contemplated hereby. The rights and claims waived by Buyer include claims for contribution or other rights of recovery arising out of or relating to any Environmental Law (whether now or hereinafter in effect), claims for breach of contract, breach of representation or warranty, negligent misrepresentation and all other claims for breach of duty, but shall not include claims for fraud. After the Closing, Section 7.05, Article 11 and Section 13.11 will provide the exclusive remedy for any misrepresentation, breach of warranty, covenant or other agreement or other claim arising out of this Agreement or the transactions contemplated hereby.

ARTICLE 12

TERMINATION

Section 12.01. *Grounds for Termination.* This Agreement may be terminated at any time prior to the Closing:

(a) by mutual written agreement of Seller and Buyer;

(b) by either Seller or Buyer if the Closing shall not have been consummated on or before June 30, 2006; *provided* that neither Buyer nor Seller shall be able to terminate this Agreement pursuant to this clause (b)

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if the failure of the Closing to be consummated by such date is caused by its breach of its obligations hereunder; or

(c) by either Seller or Buyer if consummation of the transactions contemplated hereby would violate any nonappealable final order, decree or judgment of any Governmental Authority having competent jurisdiction.

The party desiring to terminate this Agreement pursuant to clauses 12.01(b) or 12.01(c) shall give notice of such termination to the other party.

Section 12.02. *Effect of Termination*. If this Agreement is terminated as permitted by Section 12.01, such termination shall be without liability of either party (or any stockholder or Representative of such party) to the other party to this Agreement; *provided* that if such termination shall result from the willful (i) failure of either party to fulfill a condition to the performance of the obligations of the other party, (ii) failure to perform a covenant of this Agreement or (iii) breach by either party hereto of any representation or warranty or agreement contained herein, such party shall be fully liable for any and all Damages incurred or suffered by the other party as a result of such failure or breach. The provisions of Sections 6.01, 13.02, 13.03, 13.04, 13.05, 13.06, 13.07, 13.08 and 13.10 shall survive any termination hereof pursuant to Section 12.01.

ARTICLE 13

MISCELLANEOUS

Section 13.01. *Notices*. All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

if to Buyer, to:

S&C Purchase Corp.
c/o Bain Capital
Partners, LLC
745 Fifth Avenue
New York, New York 10151
Attention: Ed Conard
Paul Edgerley
Stephen M. Zide
Facsimile No.: (212) 421-2225

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with a copy to:

Kirkland & Ellis LLP
200 E. Randolph Drive
Chicago, Illinois 60601
Attention: Jeffrey C. Hammes, P.C.
Matthew E. Steinmetz, P.C.
Jeffrey W. Richards
Facsimile No.: (312) 861-2200

if to Seller, to:

Texas Instruments Incorporated
12500 TI Boulevard
Dallas, Texas 75266
Attention: General Counsel
Facsimile No.: (214) 480-5061

and

Texas Instruments Incorporated
7839 Churchill Way MS 3995
Dallas, Texas 75251
Attention: Vice President of Corporate Development
Facsimile No.: (972) 917-3804

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: Paul R. Kingsley
Facsimile No.: (212) 450-3800

or such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 13.02. *Amendments and Waivers*. (a) Any provision of this Agreement may be amended or waived if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this

Agreement, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 13.03. *Expenses*. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement (a) by Seller or any of its Subsidiaries (including, for costs incurred prior to the Closing, the Purchased Subsidiaries) shall be paid by Seller and (b) by Buyer or any of its Affiliates (including, for costs incurred following the Closing, the Purchased Subsidiaries) shall be paid by Buyer.

Section 13.04. *Successors and Assigns*. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto. Notwithstanding the foregoing, Buyer shall have the right to assign all or certain provisions of this Agreement, or any interest herein, and may delegate any duty or obligation hereunder, without the consent of Seller, to (i) any Affiliate of Buyer, (ii) any purchaser of any or all of the assets or equity interests (whether by merger, recapitalization, reorganization or otherwise) of Buyer or the Business or (iii) any of Buyer's financing sources as collateral; *provided* that, in the case of each of clauses (i)-(iii), no such assignment or delegation shall relieve Buyer of any of its obligations hereunder; and *provided further* that between the date hereof and the Closing Date, Buyer intends to form or cause to be formed one or more Subsidiaries or Affiliates, and in connection therewith Buyer may on or prior to the Closing assign and delegate any or all of its interest herein and duties and obligations hereunder (including to make payments, acquire assets, and assume Liabilities at the Closing) to and among such Subsidiaries and Affiliates, but no such assignment or delegation shall relieve Buyer of any of its obligations hereunder (other than its obligation to assume an Assumed Liability relating to the operation of the Business to the extent such obligation was so assigned to a Subsidiary or Affiliate of Buyer).

Section 13.05. *Governing Law*. This Agreement shall be governed by and construed in accordance with the law of the State of New York, without regard to the conflicts of law rules of such state.

Section 13.06. *Jurisdiction*. The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated

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hereby shall be brought in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any cause of action arising out of this Agreement shall be deemed to have arisen from a transaction of business in the State of New York, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 13.01 shall be deemed effective service of process on such party.

Section 13.07. *Counterparts; Effectiveness; No Third Party Beneficiaries*. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication). Except as set forth in Section 11.02, no provision of this Agreement is intended to confer any rights, benefits, remedies or Liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

Section 13.08. *Entire Agreement*. The Transaction Documents and the Confidentiality Agreement constitute the entire

agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

Section 13.09. *Bulk Sales Laws*. Buyer and Seller each hereby waive compliance by Seller with the provisions of the "bulk sales," "bulk transfer" or similar laws of any state in connection with the sale of the Purchased Assets.

Section 13.10. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental 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 so

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long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 13.11. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement to be performed following the Closing were not performed in accordance with the terms thereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of any such provision or to enforce specifically the performance of any such provision in the United States District Court for the Southern District of New York or any New York State court sitting in New York City, in addition to any other remedy to which they are entitled at law or in equity.

Section 13.12. *Disclosure Schedule.* The parties acknowledge and agree that (i) the inclusion of any items or information in the Disclosure Schedule that are not required by this Agreement to be so included is solely for the convenience of Buyer, (ii) the disclosure by Seller of any matter in the Disclosure Schedule shall not be deemed to constitute an acknowledgement by Seller that the matter is required to be disclosed by the terms of this Agreement or that the matter is material, (iii) if any section of the Disclosure Schedule lists an item or information in such a way as to make its relevance to the disclosure required by or provided in another section of the Disclosure Schedule or the statements contained in any Section of Article 3 reasonably apparent, such information shall be deemed to have been disclosed in or with respect to such other section, notwithstanding the omission of an appropriate cross-reference to such other section or the omission of a reference in the particular representation and warranty to such section of the Disclosure Schedule, (iv) except as provided in clause (iii) above, headings have been inserted in the Disclosure Schedule for convenience of reference only, (v) the Disclosure Schedule is qualified in their entirety by reference to specific provisions of this Agreement and (vi) the Disclosure Schedule and the information and statements contained therein are not intended to constitute, and shall not be construed as constituting, representations or warranties of Seller except as and to the extent provided in this Agreement.

[The remainder of this page has been intentionally left blank; the next page is the signature page.]

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

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Kevin P. March

Name: Kevin P. March
Title: Senior Vice President and Chief Financial Officer

S&C PURCHASE CORP.

By: /s/ Edward Conard

Name: Edward Conard
Title: Vice President

Exhibit 12

Texas Instruments Incorporated and Subsidiaries
Computation of Ration of Earnings to Fixed Charges
(Millions of dollars)

	2011	2010	2009	2008	2007
Earnings:					
Income from continuing operations before income tax	$ 2,955	$ 4,551	$ 2,017	$ 2,481	$ 3,692
Equity method investments (gains) and losses	(5)	(1)	4	9	(10)
Add:					
Fixed charges (from below)	54	15	16	23	24
Amortization of capitalized interest	3	4	4	4	6
Distributed income from equity investees	11	1	5	1	—
Total earnings	$ 3,018	$ 4,570	$ 2,046	$ 2,518	$ 3,712
Fixed Charges					
Total gross interest on debt (expensed) (a)	$ 48	$ —	$ —	$ —	$ 1
Amortization of debt premium and debt issuance costs	(6)	—	—	—	—
Estimated interest element of rental and lease expense	12	15	16	23	23
Total fixed charges	$ 54	$ 15	$ 16	$ 23	$ 24
Ratio of earnings to fixed charges	55.9	304.8	127.9	109.5	154.7

(a) No capitalized interest was recognized in 2011.

Consolidated statements of income	For Years Ended December 31, 2011	2010	2009
[Millions of dollars, except share and per-share amounts]			
Revenue	**$ 13,735**	$ 13,966	$ 10,427
Cost of revenue (COR)	**6,963**	6,474	5,428
Gross profit	**6,772**	7,492	4,999
Research and development (R&D)	**1,715**	1,570	1,476
Selling, general and administrative (SG&A)	**1,638**	1,519	1,320
Restructuring charges	**112**	33	212
Acquisition charges/divestiture (gain)	**315**	(144)	—
Operating profit	**2,992**	4,514	1,991
Other income (expense) net (OI&E)	**5**	37	26
Interest and debt expense	**42**	—	—
Income before income taxes	**2,955**	4,551	2,017
Provision for income taxes	**719**	1,323	547
Net income	**$ 2,236**	$ 3,228	$ 1,470
Earnings per common share:			
Basic	**$ 1.91**	$ 2.66	$ 1.16
Diluted	**$ 1.88**	$ 2.62	$ 1.15
Average shares outstanding (millions):			
Basic	**1,151**	1,199	1,260
Diluted	**1,171**	1,213	1,269
Cash dividends declared per share of common stock	**$ 0.56**	$ 0.49	$ 0.45

See accompanying notes.

Consolidated statements of comprehensive income	For Years Ended December 31, 2011	2010	2009
[Millions of dollars]			
Net income	**$ 2,236**	$ 3,228	$ 1,470
Other comprehensive income (loss):			
Available-for-sale investments:			
Unrealized gains (losses), net of tax benefit (expense) of $1, ($3) and ($9)	**(2)**	7	17
Reclassification of recognized transactions, net of tax benefit (expense) of ($7), $0 and ($3)	**12**	—	6
Net actuarial gains (losses) of defined benefit plans:			
Adjustment, net of tax benefit (expense) of $65, $61 and ($38)	**(124)**	(154)	91
Reclassification of recognized transactions, net of tax benefit (expense) of ($28), ($36) and ($27)	**48**	65	62
Prior service cost of defined benefit plans:			
Adjustment, net of tax benefit (expense) of $5, ($1) and $1	**(9)**	2	(1)
Reclassification of recognized transactions, net of tax benefit (expense) of ($1), $0 and $3	**2**	—	(6)
Change in fair value of derivative instrument, net of tax benefit (expense) of $1	**(2)**	—	—
Total	**(75)**	(80)	169
Total comprehensive income	**$ 2,161**	$ 3,148	$ 1,639

See accompanying notes.

Consolidated balance sheets	December 31, 2011	2010
[Millions of dollars, except share amounts]		
Assets		
Current assets:		
Cash and cash equivalents	**$ 992**	$ 1,319
Short-term investments	**1,943**	1,753
Accounts receivable, net of allowances of ($19) and ($18)	**1,545**	1,518
Raw materials	**115**	122
Work in process	**1,004**	919
Finished goods	**669**	479
Inventories	**1,788**	1,520
Deferred income taxes	**1,174**	770
Prepaid expenses and other current assets	**386**	180
Total current assets	**7,828**	7,060
Property, plant and equipment at cost	**7,133**	6,907
Less accumulated depreciation	**(2,705)**	(3,227)
Property, plant and equipment, net	**4,428**	3,680
Long-term investments	**265**	453
Goodwill	**4,452**	924
Acquisition-related intangibles, net	**2,900**	76
Deferred income taxes	**321**	927
Capitalized software licenses, net	**206**	205
Overfunded retirement plans	**40**	31
Other assets	**57**	45
Total assets	**$ 20,497**	$ 13,401
Liabilities and stockholders' equity		
Current liabilities:		
Commercial paper borrowings	**$ 999**	$ —
Current portion of long-term debt	**382**	—
Accounts payable	**625**	621
Accrued compensation	**597**	629
Income taxes payable	**101**	109
Accrued expenses and other liabilities	**795**	622
Total current liabilities	**3,499**	1,981
Long-term debt	**4,211**	—
Underfunded retirement plans	**701**	519
Deferred income taxes	**607**	86
Deferred credits and other liabilities	**527**	378
Total liabilities	**9,545**	2,964
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares. Participating cumulative preferred. None issued.	**—**	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares. Shares issued: 2011 – 1,740,630,391; 2010 – 1,740,166,101	**1,741**	1,740
Paid-in capital	**1,194**	1,114
Retained earnings	**26,278**	24,695
Less treasury common stock at cost. Shares: 2011 – 601,131,631; 2010 – 572,722,397	**(17,485)**	(16,411)
Accumulated other comprehensive income (loss), net of taxes	**(776)**	(701)
Total stockholders' equity	**10,952**	10,437
Total liabilities and stockholders' equity	**$ 20,497**	$ 13,401

See accompanying notes.

Consolidated statements of cash flows	For Years Ended December 31, 2011	2010	2009
[Millions of dollars]			
Cash flows from operating activities:			
Net income	**$ 2,236**	$ 3,228	$ 1,470
Adjustments to net income:			
Depreciation	**904**	865	877
Stock-based compensation	**269**	190	186
Amortization of acquisition-related intangibles	**111**	48	48
Gain on sales of assets and divestiture	**(5)**	(144)	—
Deferred income taxes	**(119)**	(188)	146
Increase (decrease) from changes in:			
Accounts receivable	**112**	(231)	(364)
Inventories	**(17)**	(304)	177
Prepaid expenses and other current assets	**(29)**	(8)	115
Accounts payable and accrued expenses	**2**	57	5
Accrued compensation	**(77)**	246	(38)
Income taxes payable	**(85)**	(19)	87
Other	**(46)**	80	(66)
Net cash provided by operating activities	**3,256**	3,820	2,643
Cash flows from investing activities:			
Additions to property, plant and equipment	**(816)**	(1,199)	(753)
Proceeds from insurance recovery, asset sales and divestiture	**16**	148	—
Purchases of short-term investments	**(3,653)**	(2,510)	(2,273)
Sales, redemptions and maturities of short-term investments	**3,555**	2,564	2,030
Purchases of long-term investments	**(6)**	(8)	(9)
Redemptions and sales of long-term investments	**157**	147	64
Business acquisitions:			
Property, plant and equipment	**(865)**	(200)	(3)
Inventories	**(225)**	(14)	(4)
Other	**(4,335)**	15	(148)
Business acquisitions, net of cash acquired	**(5,425)**	(199)	(155)
Net cash used in investing activities	**(6,172)**	(1,057)	(1,096)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt and commercial paper borrowings	**4,697**	—	—
Issuance costs for long-term debt	**(12)**	—	—
Repayment of commercial paper borrowings	**(200)**	—	—
Dividends paid	**(644)**	(592)	(567)
Sales and other common stock transactions	**690**	407	109
Excess tax benefit from share-based payments	**31**	13	1
Stock repurchases	**(1,973)**	(2,454)	(954)
Net cash provided by (used in) financing activities	**2,589**	(2,626)	(1,411)
Net (decrease) increase in cash and cash equivalents	**(327)**	137	136
Cash and cash equivalents at beginning of year	**1,319**	1,182	1,046
Cash and cash equivalents at end of year	**$ 992**	$ 1,319	$ 1,182

See accompanying notes.

Consolidated statements of stockholders' equity	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)
[Millions of dollars, except per-share amounts]					
Balance, December 31, 2008	$ 1,740	$ 1,022	$ 21,168	$ (13,814)	$ (790)
2009					
Net income	—	—	1,470	—	—
Dividends declared and paid ($.45 per share)	—	—	(567)	—	—
Common stock issued on exercise of stock options	—	(120)	—	226	—
Stock repurchases	—	—	—	(961)	—
Stock-based compensation	—	186	—	—	—
Tax impact from exercise of options	—	(2)	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	169
Other	—	—	(5)	—	—
Balance, December 31, 2009	1,740	1,086	22,066	(14,549)	(621)
2010					
Net income	—	—	3,228	—	—
Dividends declared and paid ($.49 per share)	—	—	(592)	—	—
Common stock issued on exercise of stock options	—	(182)	—	588	—
Stock repurchases	—	—	—	(2,450)	—
Stock-based compensation	—	190	—	—	—
Tax impact from exercise of options	—	21	—	—	—
Other comprehensive income (loss), net of tax	—	—	—	—	(80)
Other	—	(1)	(7)	—	—
Balance, December 31, 2010	1,740	1,114	24,695	(16,411)	(701)
2011					
Net income	**—**	**—**	**2,236**	**—**	**—**
Dividends declared and paid ($.56 per share)	**—**	**—**	**(644)**	**—**	**—**
Common stock issued on exercise of stock options	**1**	**(252)**	**—**	**898**	**—**
Stock repurchases	**—**	**—**	**—**	**(1,973)**	**—**
Stock-based compensation	**—**	**269**	**—**	**—**	**—**
Tax impact from exercise of options	**—**	**45**	**—**	**—**	**—**
Other comprehensive income (loss), net of tax	**—**	**—**	**—**	**—**	**(75)**
Other	**—**	**18**	**(9)**	**1**	**—**
Balance, December 31, 2011	**$ 1,741**	**$ 1,194**	**$ 26,278**	**$ (17,485)**	**$ (776)**

See accompanying notes.

Notes to financial statements

1. Description of business and significant accounting policies and practices

Business

At Texas Instruments (TI), we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We have three reportable segments, which are established along major categories of products as follows:

Analog – consists of High Volume Analog & Logic (HVAL), Power Management (Power) and High Performance Analog (HPA). Following the acquisition of National Semiconductor Corporation (National), our Analog segment also includes National's ongoing operations under the name of Silicon Valley Analog (SVA);

Embedded Processing – consists of digital signal processors (DSPs) and microcontrollers used in catalog, communications infrastructure and automotive applications; and

Wireless – consists of OMAP™ applications processors, connectivity products and basebands for wireless applications, including handsets and tablet computers.

We report the results of our remaining business activities in Other. See Note 17 for additional information on our business segments.

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The basis of these financial statements is comparable for all periods presented herein.

The consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. All dollar amounts in the financial statements and tables in these notes, except per-share amounts, are stated in millions of U.S. dollars unless otherwise indicated. We have reclassified certain amounts in the prior periods' financial statements to conform to the 2011 presentation. The preparation of financial statements requires the use of estimates from which final results may vary.

On September 23, 2011, we completed the acquisition of National. The consolidated financial statements include the balances and results of operations of National from the date of acquisition. See Note 2 for more detailed information.

Revenue recognition

We recognize revenue from direct sales of our products to our customers, including shipping fees, when title passes to the customer, which usually occurs upon shipment or delivery, depending upon the terms of the sales order; when persuasive evidence of an arrangement exists; when sales amounts are fixed or determinable; and when collectability is reasonably assured. Revenue from sales of our products that are subject to inventory consignment agreements is recognized when the customer pulls product from consignment inventory that we store at designated locations. Estimates of product returns for quality reasons and of price allowances (based on historical experience, product shipment analysis and customer contractual arrangements) are recorded when revenue is recognized. Allowances include volume-based incentives and special pricing arrangements. In addition, we record allowances for accounts receivable that we estimate may not be collected.

We recognize revenue from direct sales of our products to our distributors, net of allowances, consistent with the principles discussed above. Title transfers to the distributors at delivery or when the products are pulled from consignment inventory, and payment is due on our standard commercial terms; payment terms are not contingent upon resale of the products. We also grant discounts to some distributors for prompt payments. We calculate credit allowances based on historical data, current economic conditions and contractual terms. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities they may have. To estimate allowances, we use statistical percentages of revenue, determined quarterly, based upon recent historical adjustment trends.

We also provide distributors an allowance to scrap certain slow-moving or obsolete products in their inventory, estimated as a negotiated fixed percentage of each distributor's purchases from us. In addition, if we publish a new price for a product that is lower than that paid by distributors for the same product still remaining in each distributor's on-hand inventory, we may credit them for the difference between those prices. The allowance for this type of credit is based on the identified product price difference applied to our estimate of each distributor's on-hand inventory of that product. We believe we can reasonably and reliably estimate allowances for credits to distributors in a timely manner.

We determine the amount and timing of royalty revenue based on our contractual agreements with intellectual property licensees. We recognize royalty revenue when earned under the terms of the agreements and when we consider realization of

payment to be probable. Where royalties are based on a percentage of licensee sales of royalty-bearing products, we recognize royalty revenue by applying this percentage to our estimate of applicable licensee sales. We base this estimate on historical experience and an analysis of each licensee's sales results. Where royalties are based on fixed payment amounts, we recognize royalty revenue ratably over the term of the royalty agreement. Where warranted, revenue from licensees may be recognized on a cash basis.

We include shipping and handling costs in COR.

Advertising costs
We expense advertising and other promotional costs as incurred. This expense was $43 million in 2011, $44 million in 2010 and $42 million in 2009.

Income taxes
We account for income taxes using an asset and liability approach. We record the amount of taxes payable or refundable for the current year and the deferred tax assets and liabilities for future tax consequences of events that have been recognized in the financial statements or tax returns. We record a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Other assessed taxes
Some transactions require us to collect taxes such as sales, value-added and excise taxes from our customers. These transactions are presented in our statements of income on a net (excluded from revenue) basis.

Earnings per share (EPS)
Unvested awards of share-based payments with rights to receive dividends or dividend equivalents, such as our restricted stock units (RSUs), are considered to be participating securities and the two-class method is used for purposes of calculating EPS. Under the two-class method, a portion of net income is allocated to these participating securities and, therefore, is excluded from the calculation of EPS allocated to common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows (shares in millions):

	2011			**2010**			**2009**		
	Net Income	**Shares**	**EPS**	**Net Income**	**Shares**	**EPS**	**Net Income**	**Shares**	**EPS**
Basic EPS:									
Net income	**$ 2,236**			$ 3,228			$ 1,470		
Less income allocated to RSUs	**(35)**			(44)			(14)		
Income allocated to common stock for basic EPS calculation	**$ 2,201**	**1,151**	**$ 1.91**	$ 3,184	1,199	$ 2.66	$ 1,456	1,260	$ 1.16
Adjustment for dilutive shares:									
Stock-based compensation plans		**20**			14			9	
Diluted EPS:									
Net income	**$ 2,236**			$ 3,228			$ 1,470		
Less income allocated to RSUs	**(34)**			(44)			(14)		
Income allocated to common stock for diluted EPS calculation	**$ 2,202**	**1,171**	**$ 1.88**	$ 3,184	1,213	$ 2.62	$ 1,456	1,269	$ 1.15

Options to purchase 41 million, 88 million and 135 million shares of common stock that were outstanding during 2011, 2010 and 2009, respectively, were not included in the computation of diluted EPS because their exercise price was greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

Investments

We present investments on our balance sheets as cash equivalents, short-term investments or long-term investments. Specific details are as follows:

Cash equivalents and short-term investments: We consider investments in debt securities with maturities of three months or less from the date of our investment to be cash equivalents. We consider investments in debt securities with maturities beyond three months from the date of our investment as being available for use in current operations and include these investments in short-term investments. The primary objectives of our cash equivalent and short-term investment activities are to preserve capital and maintain liquidity while generating appropriate returns.

Long-term investments: Long-term investments consist of mutual funds, auction-rate securities, venture capital funds and non-marketable equity securities.

Classification of investments: Depending on our reasons for holding the investment and our ownership percentage, we classify investments in securities as available for sale, trading, equity-method or cost-method investments, which are more fully described in Note 9. We determine cost or amortized cost, as appropriate, on a specific identification basis.

Inventories

Inventories are stated at the lower of cost or estimated net realizable value. Cost is generally computed on a currently adjusted standard cost basis, which approximates cost on a first-in first-out basis. Standard cost is based on the normal utilization of installed factory capacity. Cost associated with underutilization of capacity is expensed as incurred. Inventory held at consignment locations is included in our finished goods inventory. Consigned inventory was $129 million and $130 million as of December 31, 2011 and 2010, respectively.

We review inventory quarterly for salability and obsolescence. A specific allowance is provided for inventory considered unlikely to be sold. Remaining inventory includes a salability and obsolescence allowance based on an analysis of historical disposal activity. We write off inventory in the period in which disposal occurs.

Property, plant and equipment; acquisition-related intangibles and other capitalized costs

Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Our cost basis includes certain assets acquired in business combinations that were initially recorded at fair value as of the date of acquisition. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. We amortize acquisition-related intangibles on a straight-line basis over the estimated economic life of the assets. Capitalized software licenses generally are amortized on a straight-line basis over the term of the license. Fully depreciated or amortized assets are written off against accumulated depreciation or amortization.

Impairments of long-lived assets

We regularly review whether facts or circumstances exist that indicate the carrying values of property, plant and equipment or other long-lived assets, including intangible assets, are impaired. We assess the recoverability of assets by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Any impairment charge is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by available market valuations, if applicable, or by discounted cash flows.

Goodwill and indefinite-lived intangibles

Goodwill is not amortized but is reviewed for impairment annually or more frequently if certain impairment indicators arise. We complete our annual goodwill impairment tests as of October 1 for our reporting units. The test compares the fair value for each reporting unit to its associated carrying value including goodwill. We have had no impairment of goodwill for 2011 or 2010.

Foreign currency

The functional currency for our non-U.S. subsidiaries is the U.S. dollar. Accounts recorded in currencies other than the U.S. dollar are remeasured into the functional currency. Current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at the end of each reporting period. Property, plant and equipment with associated depreciation and inventories are remeasured at historic exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate daily rate of exchange. Currency exchange gains and losses from remeasurement are credited or charged to OI&E.

Derivatives and hedging

In connection with the issuance of variable-rate long-term debt in May 2011, as more fully described in Note 13, we entered into an interest rate swap designated as a hedge of the variability of cash flows related to interest payments. Gains and losses

from changes in the fair value of the interest rate swap are credited or charged to Accumulated other comprehensive income (loss), net of taxes (AOCI).

We also use derivative financial instruments to manage exposure to foreign exchange risk. These instruments are primarily forward foreign currency exchange contracts that are used as economic hedges to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures or for specified non-U.S. dollar forecasted transactions. Gains and losses from changes in the fair value of these forward foreign currency exchange contracts are credited or charged to OI&E. We do not apply hedge accounting to our foreign currency derivative instruments.

We do not use derivatives for speculative or trading purposes.

Changes in accounting standards

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS.* This standard results in a common requirement between the FASB and the International Accounting Standards Board (IASB) for measuring fair value and for disclosing information about fair-value measurements. While this new standard will not affect how we measure or account for assets and liabilities at fair value, disclosures will be required for interim and annual periods beginning January 1, 2012. There will be no impact to our financial condition or results of operation from the adoption of this new standard.

In September 2011, the FASB issued ASU No. 2011-08, *Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*. This standard is intended to simplify how we will test goodwill for impairment. Prior to the issuance of this standard, we were required to use a two-step quantitative test to assess impairment of goodwill. Under this new standard, we will have the option to first assess qualitative factors to determine whether that two-step quantitative test should be performed. This standard is effective for goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. We will adopt this standard effective January 1, 2012.

2. National Semiconductor acquisition

On September 23, 2011, we completed the acquisition of National by acquiring all issued and outstanding common shares in exchange for cash. National designed, developed, manufactured and marketed a wide range of semiconductor products, focused on providing high-performance energy-efficient analog and mixed-signal solutions. The purpose of the acquisition was to grow revenue by combining National's products with TI's larger sales force and customer base.

We accounted for this transaction under Accounting Standards Codification (ASC) 805 - *Business Combinations*, and National's operating results are included in the Analog segment from the acquisition date as SVA.

The acquisition-date fair value of the consideration transferred is as follows:

Cash payments	$	6,535
Fair value of vested share-based awards assumed by TI		22
Total consideration transferred to National shareholders	$	6,557

We prepared an initial determination of the fair value of assets acquired and liabilities assumed as of the acquisition date using preliminary information. Adjustments were made during the fourth quarter of 2011 to the fair value of assets acquired and liabilities assumed, as a result of refining our estimates. These were retrospectively applied to the September 23, 2011, acquisition date balance sheet. These adjustments are primarily related to tax matters and netted to an increase of goodwill of $1 million. None of the adjustments had a material impact on TI's previously reported results of operations.

As of December 31, 2011, the allocation of the consideration transferred to the assets acquired and liabilities assumed from National has been finalized. The determination of fair value reflects the assistance of third-party valuation specialists, as well as our own estimates and assumptions. The final allocation of fair value by major class of the assets acquired and liabilities assumed as of the acquisition date is as follows:

	At September 23, 2011
Cash and cash equivalents	$ 1,145
Current assets	451
Inventory	225
Property, plant and equipment	865
Other assets	138
Acquired intangible assets (see details below)	2,956
Goodwill	3,528
Assumed current liabilities	(191)
Assumed long-term debt	(1,105)
Deferred taxes and other assumed non-current liabilities	(1,455)
Total consideration transferred	$ 6,557

Identifiable intangible assets acquired and their estimated useful lives as of the acquisition date are as follows:

	Asset Amount	Weighted Average Useful Life (Years)
Developed technology	$ 2,025	10
Customer relationships	810	8
Other	16	3
Identified intangible assets subject to amortization	2,851	
In-process R&D	105	(a)
Total identified intangible assets	$ 2,956	

(a) In-process R&D is not amortized until the associated project has been completed. Alternatively, if the associated project is determined not to be viable, it will be expensed.

The remaining consideration, after adjusting for identified intangible assets and the net assets and liabilities recorded at fair value, was $3.528 billion and was applied to goodwill. Goodwill is attributed to National's product portfolio and workforce expertise. None of the goodwill related to the National acquisition is deductible for tax purposes.

We assumed $1.0 billion of outstanding debt as a result of our acquisition of National and recorded it at its fair value of $1.105 billion. The excess of the fair value over the stated value is amortized as a reduction to Interest and debt expense over the term of the debt. In 2011, we recognized $9 million related to the amortization of the excess fair value.

The amount of National's revenue included in our Consolidated statements of income for the period from the acquisition date to December 31, 2011, was $312 million. We do not measure net income at or below our segment levels.

The following unaudited summaries of pro forma combined results of operation for the years ended December 31, 2011 and 2010, give effect to the acquisition as if it had been completed on January 1, 2010. These pro forma summaries do not reflect any operating efficiencies, cost savings or revenue enhancements that may be achieved by the combined companies. In addition, certain non-recurring expenses, such as restructuring charges and retention bonuses that will be incurred within the first 12 months after the acquisition, are not reflected in the pro forma summaries. These pro forma summaries are presented for informational purposes only and are not necessarily indicative of what the actual results of operations would have been had the acquisition taken place as of that date, nor are they indicative of future consolidated results of operations.

	For Years Ended December 31,	
	2011	2010
	(unaudited)	
Revenue	$ 14,805	$ 15,529
Net income	2,438	3,218
Earnings per common share – diluted	2.05	2.61

Acquisition-related charges

We incurred various costs as a result of the acquisition of National that are included in Other consistent with how management measures the performance of its segments. These total acquisition-related charges are as follows:

	For Year Ended December 31, 2011
Inventory related	$ 96
Property, plant and equipment related	15
As recorded in COR	111
Amortization of intangible assets	87
Severance and other benefits:	
Change of control	41
Announced employment reductions	29
Stock-based compensation	50
Transaction costs	48
Retention bonuses	46
Other	14
As recorded in Acquisition charges/divestiture (gain)	315
Total acquisition-related charges	$ 426

We recognized costs associated with the adjustments to write up the value of acquired inventory and property, plant and equipment to fair value as of the acquisition date. These costs are in addition to the normal expensing of the acquired assets based on their carrying or book value prior to the acquisition. The total fair-value write-up for the acquired inventory was expensed as that inventory was sold. The total fair-value write-up for the acquired property, plant and equipment was $436 million, which is being depreciated at a rate of about $15 million per quarter beginning in the fourth quarter of 2011.

The amount of recognized amortization of acquired intangible assets resulting from the National acquisition was $87 million for the period from the acquisition date to December 31, 2011. Amortization of intangible assets is based on estimated useful lives varying between two and ten years.

Severance and other benefits costs relate to former National employees who have been or will be terminated after the closing date. These costs total $70 million for the year ended December 31, 2011, with $41 million in charges related to change of control provisions under existing employment agreements and $29 million in charges for announced employment reductions affecting about 350 jobs. All of these jobs will be eliminated by the end of 2012 as a result of redundancies and cost efficiency measures, with approximately $20 million of additional expense to be recognized in 2012. Of the $70 million in charges recognized, $14 million was paid in 2011. The remaining $56 million will be paid in 2012.

Stock-based compensation of $50 million was recognized for the accelerated vesting of equity awards upon the termination of employees. Additional stock-based compensation will be recognized over any remaining service periods.

Transaction costs include expenses incurred in connection with the National acquisition, such as investment advisory, legal, accounting and printing fees, as well as bridge financing costs incurred in April 2011.

Retention bonuses reflect amounts expected to be paid to former National employees who fulfill agreed-upon service period obligations and will be recognized ratably over the required service period.

3. Losses associated with the earthquake in Japan

On March 11, 2011, a magnitude 9.0 earthquake struck near two of our three semiconductor manufacturing facilities in Japan. Our manufacturing site in Miho suffered substantial damage during the earthquake, our facility in Aizu experienced significantly less damage and our site in Hiji was undamaged. We maintain earthquake insurance policies in Japan for limited coverage for property damage and business interruption losses.

Assessment and recovery efforts began immediately at these facilities and officially ended in August. Our Aizu factory recovered first and has been in production since the second quarter, while our Miho factory opened a mini-line for products in mid-April and was back to full production in the third quarter of 2011.

During the year ended December 31, 2011, we incurred gross operating losses of $101 million related to property damage, the underutilization expense we incurred from having our manufacturing assets only partially loaded and costs associated with recovery teams assembled from across the world. These losses have been offset by about $23 million in insurance proceeds related to property damage claims. Almost all of these costs and proceeds are included in COR in the Consolidated statements of income and are recorded in Other.

In addition to the costs associated with the earthquake, we also had an impact to revenue. For the year 2011, we recognized $38 million in insurance proceeds related to business interruption claims. These proceeds were recorded as revenue in Other.

We continue to be in discussions with our insurers and their advisors, but at this time we cannot estimate the timing and amount of future proceeds we may ultimately receive from our policies.

4. Restructuring charges

Restructuring charges may consist of voluntary or involuntary severance-related charges, asset-related charges and other costs to exit activities. We recognize voluntary termination benefits when the employee accepts the offered benefit arrangement. We recognize involuntary severance-related charges depending on whether the termination benefits are provided under an ongoing benefit arrangement or under a one-time benefit arrangement. If the former, we recognize the charges once they are probable and the amounts are estimable. If the latter, we recognize the charges once the benefits have been communicated to employees.

Restructuring activities associated with assets would be recorded as an adjustment to the basis of the asset, not as a liability. When we commit to a plan to abandon a long-lived asset before the end of its previously estimated useful life, we accelerate the recognition of depreciation to reflect the use of the asset over its shortened useful life. When an asset is held to be sold, we write down the carrying value to its net realizable value and cease depreciation.

Restructuring actions related to the acquisition of National are discussed in Note 2 above and are reflected on the Acquisition charges/divestiture (gain) line of our Consolidated statements of income.

2011 actions

In the fourth quarter of 2011, we recognized restructuring charges associated with the announced plans to close two older semiconductor manufacturing facilities in Hiji, Japan, and Houston, Texas, over the next 18 months. Combined, these facilities supported about 4 percent of TI's revenue in 2011, and each employs about 500 people. As needed, production from these facilities will be moved to other more advanced TI factories. The total charge for these closures is estimated at $215 million, of which $112 million was recognized in the fourth quarter and the remainder will be incurred over the next seven quarters. The Restructuring charges recognized in the fourth quarter of 2011 are included in Other and consisted of $107 million for severance and benefit costs and $5 million of accelerated depreciation of the facilities' assets. Of the estimated $215 million total cost, about $135 million will be for severance and related benefits, about $30 million will be for accelerated depreciation of facility assets and about $50 million will be for other exit costs.

Previous actions

In October 2008, we announced actions to reduce expenses in our Wireless segment, especially our baseband operation. In January 2009, we announced actions that included broad-based employment reductions to align our spending with weakened demand. Combined, these actions eliminated about 3,900 jobs; they were completed in 2009.

The table below reflects the changes in accrued restructuring balances associated with these actions:

	2011 Actions		Previous Actions		
	Severance and Benefits	Other Charges	Severance and Benefits	Other Charges	Total
Accrual at December 31, 2009	$ —	$ —	$ 84	$ 10	$ 94
Restructuring charges	—	—	33	—	33
Non-cash items (a)	—	—	(33)	—	(33)
Payments	—	—	(62)	(2)	(64)
Remaining accrual at December 31, 2010	—	—	22	8	30
Restructuring charges	**107**	**5**	**—**	**—**	**112**
Non-cash items (a)	**(11)**	**(5)**	**—**	**—**	**(16)**
Payments	**—**	**—**	**(9)**	**(1)**	**(10)**
Remaining accrual at December 31, 2011	**$ 96**	**$ —**	**$ 13**	**$ 7**	**$ 116**

(a) Reflects charges for stock-based compensation, postretirement benefit plan settlement, curtailment, special termination benefits and accelerated depreciation.

The accrual balances above are a component of Accrued expenses and other liabilities or Deferred credits and other liabilities on our Consolidated balance sheets, depending on the expected timing of payment.

Restructuring charges recognized by segment from the actions described above are as follows:

	2011	2010	2009
Analog	**$ —**	$ 13	$ 84
Embedded Processing	**—**	6	43
Wireless	**—**	10	62
Other	**112**	4	23
Total	**$ 112**	$ 33	$ 212

5. Stock-based compensation

We have stock options outstanding to participants under various long-term incentive plans. We also have assumed stock options that were granted by companies that we later acquired, including National. Unless the options are acquisition-related replacement options, the option price per share may not be less than 100 percent of the fair market value of our common stock on the date of the grant. Substantially all the options have a ten-year term and vest ratably over four years. Our options generally continue to vest after the option recipient retires.

We also have restricted stock units (RSUs) outstanding under the long-term incentive plans. Each RSU represents the right to receive one share of TI common stock on the vesting date, which is generally four years after the date of grant. Upon vesting, the shares are issued without payment by the grantee. RSUs generally do not continue to vest after the recipient's retirement date.

We have options and RSUs outstanding to non-employee directors under various director compensation plans. The plans generally provide for annual grants of stock options and RSUs, a one-time grant of RSUs to each new non-employee director and the issuance of TI common stock upon the distribution of stock units credited to deferred compensation accounts established for such directors.

We also have an employee stock purchase plan under which options are offered to all eligible employees in amounts based on a percentage of the employee's compensation. Under the plan, the option price per share is 85 percent of the fair market value on the exercise date, and options have a three-month term.

Total stock-based compensation expense recognized was as follows:

	2011	2010	2009
Stock-based compensation expense recognized in:			
Cost of revenue (COR)	**$ 40**	$ 36	$ 35
Research and development (R&D)	**58**	53	54
Selling, general and administrative (SG&A)	**121**	101	97
Acquisition charges	**50**	—	—
Total	**$ 269**	$ 190	$ 186

These amounts include expense related to non-qualified stock options, RSUs and stock options offered under our employee stock purchase plan and are net of expected forfeitures.

We issue awards of non-qualified stock options generally with graded vesting provisions (e.g., 25 percent per year for four years). We recognize the related compensation cost on a straight-line basis over the minimum service period required for vesting of the award. For awards to employees who are retirement eligible or nearing retirement eligibility, we recognize compensation cost on a straight-line basis over the longer of the service period required to be performed by the employee in order to earn the award, or a six-month period.

Our RSUs generally vest four years after the date of grant. We recognize the related compensation costs on a straight-line basis over the vesting period.

National acquisition-related equity awards

In connection with the acquisition of National, we assumed certain stock options and RSUs granted by National, which were converted into the right to receive TI stock. The awards we assumed were measured at the acquisition date based on the estimate of fair value, which was a total of $147 million. A portion of that fair value, $22 million, which represented the pre-combination vested service provided by employees to National, was included in the total consideration transferred as part of the acquisition. As of the acquisition date, the remaining portion of the fair value of those awards was $125 million, representing post-combination stock-based compensation expense that would be recognized as these employees provide service over the remaining vesting periods. At December 31, 2011, unrecognized compensation expense was $68 million.

Fair-value methods and assumptions

We account for all awards granted under our various stock-based compensation plans at fair value. We estimate the fair values for non-qualified stock options under long-term incentive and director compensation plans using the Black-Scholes option-pricing model with the following weighted average assumptions (these assumptions exclude options assumed in connection with the National acquisition):

	2011	2010	2009
Weighted average grant date fair value, per share	**$ 10.37**	$ 6.61	$ 5.43
Weighted average assumptions used:			
Expected volatility	**30%**	32%	48%
Expected lives (in years)	**6.9**	6.4	5.9
Risk-free interest rates	**2.61%**	2.83%	2.63%
Expected dividend yields	**1.51%**	2.08%	2.94%

We determine expected volatility on all options granted after July 1, 2005, using available implied volatility rates. We believe that market-based measures of implied volatility are currently the best available indicators of the expected volatility used in these estimates.

We determine expected lives of options based on the historical option exercise experience of our optionees using a rolling ten-year average. We believe the historical experience method is the best estimate of future exercise patterns currently available.

Risk-free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

Expected dividend yields are based on the approved annual dividend rate in effect and the current market price of our

common stock at the time of grant. No assumption for a future dividend rate change is included unless there is an approved plan to change the dividend in the near term.

The fair value per share of RSUs that we grant is determined based on the closing price of our common stock on the date of grant.

Our employee stock purchase plan is a discount-purchase plan and consequently the Black-Scholes option-pricing model is not used to determine the fair value per share of these awards. The fair value per share under this plan equals the amount of the discount.

Long-term incentive and director compensation plans

Stock option and RSU transactions under our long-term incentive and director compensation plans during 2011, including stock options and RSUs assumed in connection with the National acquisition, were as follows:

	Stock Options		RSUs	
	Shares	Weighted Average Exercise Price per Share	Shares	Weighted Average Grant-Date Fair Value per Share
Outstanding grants, December 31, 2010	150,135,013	$ 27.70	18,567,365	$ 23.06
Granted	**10,310,816**	**34.55**	**5,879,409**	**33.20**
Assumed in National acquisition	**1,316,283**	**15.75**	**4,884,774**	**27.22**
Vested RSUs	**—**	**—**	**(5,359,066)**	**28.96**
Expired and forfeited	**(22,906,524)**	**42.59**	**(613,636)**	**24.43**
Exercised	**(25,582,194)**	**24.91**	**—**	**—**
Outstanding grants, December 31, 2011	**113,273,394**	**$ 25.79**	**23,358,846**	**$ 25.09**

The weighted average grant-date fair value of RSUs granted during the years 2011, 2010 and 2009 was $33.20, $23.47 and $15.78 per share, respectively. For the years ended December 31, 2011, 2010 and 2009, the total fair value of shares vested from RSU grants was $155 million, $51 million and $28 million, respectively.

Summarized information about stock options outstanding at December 31, 2011, including options assumed in connection with the National acquisition, is as follows:

	Stock Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding (Shares)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price per Share	Number Exercisable (Shares)	Weighted Average Exercise Price per Share
$ .26 to 10.00	**13,813**	**1.1**	**$ 6.64**	**13,813**	**$ 6.64**
10.01 to 20.00	**26,219,258**	**3.8**	**15.66**	**18,859,398**	**15.91**
20.01 to 30.00	**44,961,810**	**5.1**	**24.98**	**31,390,099**	**25.38**
30.01 to 38.40	**42,078,513**	**4.3**	**32.99**	**31,971,009**	**32.49**
$ .26 to 38.40	**113,273,394**	**4.5**	**$ 25.79**	**82,234,319**	**$ 25.97**

During the years ended December 31, 2011, 2010 and 2009, the aggregate intrinsic value (i.e., the difference in the closing market price and the exercise price paid by the optionee) of options exercised was $231 million, $140 million and $21 million, respectively.

Summarized information as of December 31, 2011, about outstanding stock options that are vested and expected to vest, as well as stock options that are currently exercisable, is as follows:

	Outstanding Stock Options (Fully Vested and Expected to Vest) (a)	Options Exercisable
Number of outstanding (shares)	**112,230,358**	**82,234,319**
Weighted average remaining contractual life (in years)	**4.5**	**3.2**
Weighted average exercise price per share	**$ 26.03**	**$ 25.97**
Intrinsic value (millions of dollars)	**$ 539**	**$ 370**

(a) Includes effects of expected forfeitures of approximately 1 million shares. Excluding the effects of expected forfeitures, the aggregate intrinsic value of stock options outstanding was $543 million.

As of December 31, 2011, the total future compensation cost related to equity awards not yet recognized in the Consolidated statements of income was $477 million; $144 million related to unvested stock options and $333 million related to RSUs, of which $2 million and $66 million were associated with the National acquisition, respectively. The $477 million will be recognized as follows: $192 million in 2012, $153 million in 2013, $98 million in 2014 and $34 million in 2015.

Employee stock purchase plan

Options outstanding under the employee stock purchase plan at December 31, 2011, had an exercise price of $25.29 per share (85 percent of the fair market value of TI common stock on the date of automatic exercise). Of the total outstanding options, none were exercisable at year-end 2011.

Employee stock purchase plan transactions during 2011 were as follows:

	Employee Stock Purchase Plan (Shares)	Exercise Price
Outstanding grants, December 31, 2010	487,871	$ 27.83
Granted	**2,200,718**	**26.04**
Exercised	**(2,108,494)**	**26.66**
Outstanding grants, December 31, 2011	**580,095**	**$ 25.29**

The weighted average grant-date fair value of options granted under the employee stock purchase plans during the years 2011, 2010 and 2009 was $4.59, $3.97 and $3.13 per share, respectively. During the years ended December 31, 2011, 2010 and 2009, the total intrinsic value of options exercised under these plans was $10 million, $9 million and $10 million, respectively.

Effect on shares outstanding and treasury shares

Our practice is to issue shares of common stock upon exercise of stock options generally from treasury shares and, on a limited basis, from previously unissued shares. We settled stock option plan exercises using treasury shares of 27,308,311 in 2011; 19,077,274 in 2010 and 6,695,583 in 2009; and previously unissued common shares of 390,438 in 2011; 342,380 in 2010 and 93,648 in 2009.

Upon vesting of RSUs, we issued treasury shares of 3,822,475 in 2011; 1,392,790 in 2010 and 977,728 in 2009, and previously unissued common shares of 73,852 in 2011,with none in 2010 and 2009.

Shares available for future grant and reserved for issuance are summarized below:

	As of December 31, 2011		
Shares	**Long-term Incentive and Director Compensation Plans**	**Employee Stock Purchase Plan**	**Total**
Reserved for issuance (a)	**224,383,737**	**27,967,317**	**252,351,054**
Shares to be issued upon exercise of outstanding options and RSUs	**(136,755,907)**	**(580,095)**	**(137,336,002)**
Available for future grants	**87,627,830**	**27,387,222**	**115,015,052**

(a) Includes 123,667 shares credited to directors' deferred compensation accounts that may settle in shares of TI common stock. These shares are not included as grants outstanding at December 31, 2011.

Effect on cash flows

Cash received from the exercise of options was $690 million in 2011, $407 million in 2010 and $109 million in 2009. The

related net tax impact realized was $45 million, $21 million and ($2) million (which includes excess tax benefits realized of $31 million, $13 million and $1 million) in 2011, 2010 and 2009, respectively.

6. Profit sharing plans

Profit sharing benefits are generally formulaic and determined by one or more subsidiary or company-wide financial metrics. We pay profit sharing benefits primarily under the company-wide TI Employee Profit Sharing Plan. This plan provides for profit sharing to be paid based solely on TI's operating margin for the full calendar year. Under this plan, TI must achieve a minimum threshold of 10 percent operating margin before any profit sharing is paid. At 10 percent operating margin, profit sharing will be 2 percent of eligible payroll. The maximum amount of profit sharing available under the plan is 20 percent of eligible payroll, which is paid only if TI's operating margin is at or above 35 percent for a full calendar year.

We recognized $143 million, $279 million and $102 million of profit sharing expense under the TI Employee Profit Sharing Plan in 2011, 2010 and 2009, respectively.

7. Income taxes

Income before income taxes	**U.S.**	**Non-U.S.**	**Total**
2011	**$ 1,791**	**$ 1,164**	**$ 2,955**
2010	3,769	782	4,551
2009	1,375	642	2,017

Provision (benefit) for income taxes	**U.S. Federal**	**Non-U.S.**	**U.S. State**	**Total**
2011:				
Current	**$ 692**	**$ 138**	**$ 8**	**$ 838**
Deferred	**(154)**	**24**	**11**	**(119)**
Total	**$ 538**	**$ 162**	**$ 19**	**$ 719**
2010:				
Current	$ 1,401	$ 92	$ 18	$ 1,511
Deferred	(188)	(2)	2	(188)
Total	$ 1,213	$ 90	$ 20	$ 1,323
2009:				
Current	$ 318	$ 79	$ 4	$ 401
Deferred	124	23	(1)	146
Total	$ 442	$ 102	$ 3	$ 547

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

	2011	**2010**	**2009**
Computed tax at statutory rate	**$ 1,034**	$ 1,593	$ 706
Non-U.S. effective tax rates	**(245)**	(184)	(123)
U.S. R&D tax credit	**(58)**	(54)	(28)
U.S. tax benefit for manufacturing	**(31)**	(63)	(21)
Other	**19**	31	13
Total provision for income taxes	**$ 719**	$ 1,323	$ 547

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

	December 31,	
	2011	**2010**
Deferred income tax assets:		
Inventories and related reserves	**$ 913**	$ 525
Postretirement benefit costs recognized in AOCI	**431**	404
Deferred loss and tax credit carryforwards	**400**	220
Stock-based compensation	**357**	357
Accrued expenses	**323**	251
Other	**217**	208
	2,641	1,965
Less valuation allowance	**(178)**	(3)
	2,463	1,962
Deferred income tax liabilities:		
Acquisition-related intangibles and fair-value adjustments	**(1,096)**	(21)
Accrued retirement costs (defined benefit and retiree health care)	**(180)**	(190)
Property, plant and equipment	**(147)**	(83)
International earnings	**(92)**	(26)
Other	**(60)**	(31)
	(1,575)	(351)
Net deferred income tax asset	**$ 888**	$ 1,611

As of December 31, 2011 and 2010, net deferred income tax assets of $888 million and $1.61 billion were presented in the balance sheets, based on tax jurisdiction, as deferred income tax assets of $1.50 billion and $1.70 billion and deferred income tax liabilities of $607 million and $86 million, respectively. The decrease in net deferred income tax assets from December 31, 2010, to December 31, 2011, is due to the recording of $881 million of net deferred tax liabilities associated with the acquisition of National, partially offset by the $119 million deferred tax provision.

We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. In 2011, we recognized a net increase of $175 million in our valuation allowance. This increase was due to valuation allowances on unutilized tax credits associated with the acquisition of National. While the net deferred assets of $2.46 billion at December 31, 2011, are not assured of realization, our assessment is that a valuation allowance is not required on this balance. This assessment is based on our evaluation of relevant criteria including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, taxable income in prior carryback years and expectations for future taxable income.

We have U.S. and non-U.S. tax loss carryforwards of approximately $202 million, of which $124 million expire through the year 2021.

Provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from these subsidiaries are expected to result in additional tax liability. The remaining undistributed earnings (approximately $4.12 billion at December 31, 2011) have been indefinitely reinvested; therefore, no provision has been made for taxes due upon remittance of these earnings. The indefinitely reinvested earnings of our non-U.S. subsidiaries are primarily invested in tangible assets such as inventory and property, plant and equipment. Determination of the amount of unrecognized deferred income tax liability is not practical because of the complexities associated with its hypothetical calculation.

Cash payments made for income taxes, net of refunds, were $902 million, $1.47 billion and $331 million for the years ended December 31, 2011, 2010 and 2009, respectively.

Uncertain tax positions

We operate in a number of tax jurisdictions, and our income tax returns are subject to examination by tax authorities in those jurisdictions who may challenge any item on these tax returns. Because the matters challenged by authorities are typically complex, their ultimate outcome is uncertain. Before any benefit can be recorded in the financial statements, we must determine that it is “more likely than not” that a tax position will be sustained by the appropriate tax authorities. We recognize accrued interest related to uncertain tax positions and penalties as components of OI&E.

The changes in the total amounts of uncertain tax positions are summarized as follows:

	2011	2010	2009
Balance, January 1	**$ 103**	$ 56	$ 148
Additions based on tax positions related to the current year	**15**	12	10
Additions from the acquisition of National	**132**	—	—
Additions for tax positions of prior years	**3**	50	6
Reductions for tax positions of prior years	**(39)**	(12)	(18)
Settlements with tax authorities	**(4)**	(3)	(90)
Balance, December 31	**$ 210**	$ 103	$ 56
Interest income (expense) recognized in the year ended December 31	**$ 1**	$ (2)	$ —
Accrued interest payable (receivable) as of December 31	**$ 3**	$ (5)	$ (9)

The liability for uncertain tax positions and the accrued interest payable are components of Deferred credits and other liabilities on our December 31, 2011, balance sheet.

Within the $210 million liability for uncertain tax positions as of December 31, 2011, are uncertain tax positions totaling $233 million that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, $83 million of deferred tax assets would also be realized, primarily related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation.

Within the $103 million liability for uncertain tax positions as of December 31, 2010, are uncertain tax positions totaling $136 million that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, $101 million of deferred tax assets would also be realized, primarily related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation.

As of December 31, 2011, the statute of limitations remains open for U.S. federal tax returns for 1999 and following years. Audits of our U.S. federal tax returns through 2006 have been completed except for certain pending tax treaty procedures for relief from double taxation. These procedures pertain to U.S. federal tax returns for the years 2003 through 2007.

In non-U.S. jurisdictions, the years open to audit represent the years still subject to the statute of limitations. With respect to major jurisdictions outside the U.S., our subsidiaries are no longer subject to income tax audits for years before 2004.

We are unable to estimate the range of any reasonably possible increase or decrease in uncertain tax positions that may occur within the next 12 months resulting from the eventual outcome of the years currently under audit or appeal. However, we do not anticipate any such outcome will result in a material change to our financial condition or results of operations. U.S. federal tax returns for recently acquired National are currently under audit for tax years through 2009. It is possible that issues that are the subject of that audit could be resolved in the next 12 months and result in a material change in our estimate of uncertain tax positions.

8. Financial instruments and risk concentration

Financial instruments

We hold derivative financial instruments such as forward foreign currency exchange contracts, interest rate swaps and forward purchase contracts, the fair value of which is not material at December 31, 2011. Our forward foreign currency exchange contracts outstanding at December 31, 2011, had a notional value of $516 million to hedge our non-U.S. dollar net balance sheet exposures (including $253 million to sell Japanese yen, $105 million to sell euros and $39 million to sell British pound sterling).

Our investments in cash equivalents, short-term investments and certain long-term investments, as well as our postretirement plan assets, contingent consideration and deferred compensation liabilities are carried at fair value, which is described in Note 9. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments. The carrying value of our long-term debt approximates the fair value.

Risk concentration

Financial instruments that could subject us to concentrations of credit risk are primarily cash, cash equivalents, short-term

investments and accounts receivable. In order to manage our credit risk exposure, we place cash investments in investment-grade debt securities and limit the amount of credit exposure to any one issuer. We also limit counterparties on forward foreign currency exchange contracts to financial institutions rated no lower than A3/A-.

Concentrations of credit risk with respect to accounts receivable are limited due to our large number of customers and their dispersion across different industries and geographic areas. We maintain an allowance for losses based on the expected collectability of accounts receivable. These allowances are deducted from accounts receivable on our Consolidated balance sheets.

Details of these allowances are as follows:

Accounts receivable allowances	Balance at Beginning of Year	Additions Charged (Credited) to Operating Results	Recoveries and Write-offs, Net	Balance at End of Year
2011	**$ 18**	**$ 1**	**$ —**	**$ 19**
2010	23	(4)	(1)	18
2009	30	1	(8)	23

9. Valuation of debt and equity investments and certain liabilities

Debt and equity investments

We classify our investments as available for sale, trading, equity method or cost method. Most of our investments are classified as available for sale.

Available-for-sale and trading securities are stated at fair value, which is generally based on market prices, broker quotes or, when necessary, financial models (see fair-value discussion below). Unrealized gains and losses on available-for-sale securities are recorded as an increase or decrease, net of taxes, in AOCI on our Consolidated balance sheets. We record other-than-temporary losses (impairments) on available-for-sale securities in OI&E in our Consolidated statements of income.

We classify certain mutual funds as trading securities. These mutual funds hold a variety of debt and equity investments intended to generate returns that offset changes in certain deferred compensation liabilities. We record changes in the fair value of these mutual funds and the related deferred compensation liabilities in SG&A. Changes in the fair value of debt securities classified as trading securities are recorded in OI&E.

Our other investments are not measured at fair value but are accounted for using either the equity method or cost method. These investments consist of interests in venture capital funds and other non-marketable equity securities. Gains and losses from equity method investments are reflected in OI&E based on our ownership share of the investee’s financial results. Gains and losses on cost method investments are recorded in OI&E when realized or when an impairment of the investment’s value is warranted based on our assessment of the recoverability of each investment.

Details of our investments and related unrealized gains and losses included in AOCI are as follows:

	December 31, 2011			December 31, 2010		
	Cash and Cash Equivalents	Short-term Investments	Long-term Investments	Cash and Cash Equivalents	Short-term Investments	Long-term Investments
Measured at fair value:						
Available-for-sale securities						
Money market funds	**$ 55**	**$ —**	**$ —**	$ 167	$ —	$ —
Corporate obligations	**135**	**159**	**—**	44	649	—
U.S. Government agency and Treasury securities	**430**	**1,691**	**—**	855	1,081	—
Auction-rate securities	**—**	**—**	**41**	—	23	257
Trading securities						
Auction-rate securities	**—**	**93**	**—**	—	—	—
Mutual funds	**—**	**—**	**169**	—	—	139
Total	**620**	**1,943**	**210**	1,066	1,753	396
Other measurement basis:						
Equity-method investments	**—**	**—**	**32**	—	—	36
Cost-method investments	**—**	**—**	**23**	—	—	21
Cash on hand	**372**	**—**	**—**	253	—	—
Total	**$ 992**	**$ 1,943**	**$ 265**	$ 1,319	$ 1,753	$ 453
Amounts included in AOCI from available-for-sale securities:						
Unrealized gains (pre-tax)	**$ —**	**$ —**	**$ —**	$ —	$ 1	$ —
Unrealized losses (pre-tax)	**$ —**	**$ —**	**$ 5**	$ —	$ 1	$ 22

As of December 31, 2011 and 2010, the majority of unrealized losses included in AOCI were associated with auction-rate securities classified as securities that are available for sale. We have determined that our available-for-sale investments with unrealized losses are not other-than-temporarily impaired as we expect to recover the entire cost basis of these securities. We do not intend to sell these investments, nor do we expect to be required to sell these investments, before a recovery of the cost basis. In the second quarter of 2011, we recategorized certain auction-rate securities from an available-for-sale classification to a trading classification, as we intend to sell them. For the year ended December 31, 2011, we did not recognize in earnings any credit losses related to these investments.

Proceeds from sales, redemptions and maturities of short-term available-for-sale securities, excluding cash equivalents, were $3.55 billion, $2.56 billion and $2.03 billion in 2011, 2010 and 2009, respectively. Gross realized gains and losses from these sales were not significant.

The following table presents the aggregate maturities of investments in debt securities classified as available for sale at December 31, 2011:

Due	Fair Value
One year or less	$ 1,902
One to three years	568
Greater than three years (auction-rate securities)	41

Gross realized gains and losses from sales of long-term investments were not significant for 2011, 2010 or 2009. Other-than-temporary declines and impairments in the values of these investments recognized in OI&E were $2 million, $1 million and $14 million in 2011, 2010 and 2009, respectively.

Fair-value considerations

We measure and report certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three-level hierarchy discussed below indicates the extent and level of judgment used to estimate fair-value measurements.

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. Our Level 2 assets consist of corporate obligations, some U.S. government agency securities and auction-rate securities that have been called for redemption. We utilize a third-party data service to provide Level 2 valuations, verifying these valuations for reasonableness relative to unadjusted quotes obtained from brokers or dealers based on observable prices for similar assets in active markets.

Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models that utilize management estimates of market participant assumptions.

Our auction-rate securities are primarily classified as Level 3 assets. Auction-rate securities are debt instruments with variable interest rates that historically would periodically reset through an auction process. These auctions have not functioned since 2008. There is no active secondary market for these securities, although limited observable transactions do occasionally occur. As a result, we use a discounted cash flow model to determine the estimated fair value of these investments as of each quarter end. The assumptions used in preparing the discounted cash flow model include estimates for the amount and timing of future interest and principal payments and the rate of return required by investors to own these securities in the current environment. In making these assumptions, we consider relevant factors including: the formula for each security that defines the interest rate paid to investors in the event of a failed auction; forward projections of the interest rate benchmarks specified in such formulas; the likely timing of principal repayments; the probability of full repayment considering the guarantees by the U.S. Department of Education of the underlying student loans and additional credit enhancements provided through other means; and, publicly available pricing data for student loan asset-backed securities that are not subject to auctions. Our estimate of the rate of return required by investors to own these securities also considers the reduced liquidity for auction-rate securities. To date, we have collected all interest on all of our auction-rate securities when due and expect to continue to do so in the future.

The following are our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2011 and 2010. These tables do not include cash on hand, assets held by our postretirement plans, or assets and liabilities that are measured at historical cost or any basis other than fair value.

	Fair Value December 31, 2011	Level 1	Level 2	Level 3
Assets				
Money market funds	**$ 55**	**$ 55**	**$ —**	**$ —**
Corporate obligations	**294**	**—**	**294**	**—**
U.S. Government agency and Treasury securities	**2,121**	**606**	**1,515**	**—**
Auction-rate securities	**134**	**—**	**—**	**134**
Mutual funds	**169**	**169**	**—**	**—**
Total assets	**$ 2,773**	**$ 830**	**$ 1,809**	**$ 134**
Liabilities				
Deferred compensation	**$ 191**	**$ 191**	**$ —**	**$ —**
Total liabilities	**$ 191**	**$ 191**	**$ —**	**$ —**

	Fair Value December 31, 2010	Level 1	Level 2	Level 3
Assets				
Money market funds	$ 167	$ 167	$ —	$ —
Corporate obligations	693	—	693	—
U.S. Government agency and Treasury securities	1,936	1,120	816	—
Auction-rate securities	280	—	23	257
Mutual funds	139	139	—	—
Total assets	$ 3,215	$ 1,426	$ 1,532	$ 257
Liabilities				
Contingent consideration	$ 8	$ —	$ —	$ 8
Deferred compensation	159	159	—	—
Total liabilities	$ 167	$ 159	$ —	$ 8

The following table summarizes the change in the fair values for Level 3 assets and liabilities for the years ended December 31, 2011 and 2010. The transfer of auction-rate securities into Level 2 was the result of these securities being called for redemption and all were subsequently redeemed.

	Level 3	
	Auction-rate Securities	Contingent Consideration
Balance, December 31, 2009	$ 458	$ 18
Change in fair value of contingent consideration – included in operating profit	—	(10)
Change in unrealized loss – included in AOCI	10	—
Redemptions and sales	(188)	—
Transfers into Level 2	(23)	—
Balance, December 31, 2010	257	8
Change in fair value of contingent consideration – included in operating profit	**—**	**(8)**
Change in unrealized loss – included in AOCI	**(1)**	**—**
Redemptions and sales	**(122)**	**—**
Balance, December 31, 2011	**$ 134**	**$ —**

10. Acquisitions and divestitures other than National

Acquisitions

In October 2010, we acquired our first semiconductor manufacturing site in China, located in the Chengdu High-tech Zone. This included a fully equipped and operational 200-millimeter wafer fabrication facility (fab), as well as a non-operating fab that is being held for future capacity expansion. Additionally, we offered employment to the majority of existing employees at the Chengdu site. We provided transitional supply services through the middle of 2011, while also installing our analog production processes. This acquisition, which was recorded as a business combination, used net cash of $140 million. As contractually agreed, we made an additional payment to the seller in October 2011.We recorded $158 million of property, plant and equipment, $5 million of inventory, $4 million of other assets and $8 million of expenses. Operating results for the transitional supply services are included in Other. Additionally, we incurred acquisition costs of $2 million.

In August 2010, we completed the acquisition of two wafer fabs and equipment in Aizu-Wakamatsu, Japan, for net cash of $130 million. The terms of the acquisition included an operational 200-millimeter fab as well as a non-operating fab capable of either 200- or 300-millimeter production that is being held for future capacity expansion. Additionally, we offered employment to the existing employees at the Aizu site. We provided transitional supply services through 2011, while also installing our analog production processes.

The acquisition of the two Aizu wafer fabs and related 200-millimeter equipment was recorded as a business combination for net cash of $59 million. We recorded $42 million of property, plant and equipment, $9 million of inventory and $8 million of expenses, which were charged to COR. Operating results for the transitional supply services are included in Other. In connection with the Aizu acquisition, we also settled a contractual arrangement with a third party for our benefit for net cash of $12 million, which was recorded as a charge in COR in Other. Additionally, we incurred acquisition-related costs of $1 million, which were recorded in SG&A. The Aizu acquisition also included 300-millimeter production tools, which we recorded as a capital purchase for net cash of $58 million.

In 2009, we acquired Luminary Micro for net cash of $51 million and other consideration of $7 million. These operations were integrated into our Embedded Processing segment. We also acquired CICLON Semiconductor Device Corporation for net cash of $104 million and other consideration of $7 million. These operations were integrated into our Analog segment.

The results of operations for these acquisitions have been included in our financial statements from their respective acquisition dates. Pro forma financial information would not be materially different from amounts reported.

Divestitures

In November 2010, we divested a product line previously included in Other for $148 million and recognized a gain in operating profit of $144 million. This appears in the Consolidated statements of income on the Acquisition charges/divestiture (gain) line for 2010.

11. Goodwill and acquisition-related intangibles

The following table summarizes the changes in goodwill by segment for the years ended December 31, 2011 and 2010:

	Analog	Embedded Processing	Wireless	Other	Total
Goodwill, December 31, 2009	$ 638	$ 172	$ 82	$ 34	$ 926
Adjustments	(8)	—	8	(2)	(2)
Goodwill, December 31, 2010	630	172	90	32	924
Additions from acquisitions	**3,528**	**—**	**—**	**—**	**3,528**
Goodwill, December 31, 2011	**$ 4,158**	**$ 172**	**$ 90**	**$ 32**	**$ 4,452**

There was no impairment of goodwill during 2011 or 2010. In the first quarter of 2010, we transferred a low-power wireless product line, including the associated goodwill, from the Analog segment to the Wireless segment. We reduced goodwill in Other by $2 million, which was related to the divestiture noted in Note 10. The addition to Analog goodwill was from the National acquisition.

In 2011, we recognized intangible assets associated with the National acquisition of $2.96 billion, primarily for developed technology and customer relationships. In 2010, we had no additional intangible assets from an acquisition.

The following table shows the components of acquisition-related intangible assets as of December 31, 2011 and 2010:

		December 31, 2011			December 31, 2010		
	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Acquisition-related intangibles:							
Developed technology	4 - 10	**$ 2,089**	**$ 91**	**$ 1,998**	$ 155	$ 100	$ 55
Customer relationships	5 - 8	**822**	**34**	**788**	26	18	8
Other intangibles	2 - 10	**50**	**29**	**21**	34	21	13
In-process R&D	(a)	**93**	**—**	**93**	—	—	—
Total		**$ 3,054**	**$ 154**	**$ 2,900**	$ 215	$ 139	$ 76

(a) In-process R&D is not amortized until the associated project has been completed. Alternatively, if the associated project is determined not to be viable, it will be expensed.

Amortization of acquisition-related intangibles was $111 million, $48 million and $48 million for 2011, 2010 and 2009, respectively, primarily related to developed technology.

The following table sets forth the estimated amortization of acquisition-related intangibles for the years ended December 31:

2012	$ 342
2013	335
2014	321
2015	319
2016	318
Thereafter	1,265

12. Postretirement benefit plans

Plan descriptions

We have various employee retirement plans including defined benefit, defined contribution and retiree health care benefit plans. For qualifying employees, we offer deferred compensation arrangements. As a part of the National acquisition, we assumed the assets and liabilities of its defined benefit plans, primarily those associated with the United Kingdom and Germany.

U.S. retirement plans:

Principal retirement plans in the U.S. are qualified and non-qualified defined benefit pension plans (all of which were closed to new participants after November 1997), a defined contribution plan and an enhanced defined contribution plan. The defined benefit pension plans include employees still accruing benefits as well as employees and participants who no longer accrue service-related benefits, but instead, may participate in the enhanced defined contribution plan.

Both defined contribution plans offer an employer-matching savings option that allows employees to make pre-tax contributions to various investment choices, including a TI common stock fund. Employees who elected to continue accruing a benefit in the qualified defined benefit pension plans may also participate in the defined contribution plan, where employer-matching contributions are provided for up to 2 percent of the employee's annual eligible earnings. Employees who elected not to continue accruing a benefit in the defined benefit pension plans, and employees hired after November 1997 and through December 31, 2003, may participate in the enhanced defined contribution plan. This plan provides for a fixed employer contribution of 2 percent of the employee's annual eligible earnings, plus an employer-matching contribution of up to 4 percent of the employee's annual eligible earnings. Employees hired after December 31, 2003, do not receive the fixed employer contribution of 2 percent of the employee's annual eligible earnings.

At December 31, 2011 and 2010, as a result of employees' elections, TI's U.S. defined contribution plans held shares of TI common stock totaling 22 million shares and 24 million shares valued at $639 million and $792 million, respectively. Dividends paid on these shares for 2011 and 2010 were $13 million for each year.

Our aggregate expense for the U.S. defined contribution plans was $55 million in 2011, $50 million in 2010 and $51 million in 2009.

Benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation. We intend to contribute amounts to this plan to meet the minimum funding requirements of applicable local laws and regulations, plus such additional amounts as we deem appropriate. The non-qualified defined benefit plans are unfunded and closed to new participants.

U.S. retiree health care benefit plan:

U.S. employees who meet eligibility requirements are offered medical coverage during retirement. We make a contribution toward the cost of those retiree medical benefits for certain retirees and their dependents. The contribution rates are based upon various factors, the most important of which are an employee's date of hire, date of retirement, years of service and eligibility for Medicare benefits. The balance of the cost is borne by the plan's participants. Employees hired after January 1, 2001, are responsible for the full cost of their medical benefits during retirement.

Non-U.S. retirement plans:

We provide retirement coverage for non-U.S. employees, as required by local laws or to the extent we deem appropriate, through a number of defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances.

As of December 31, 2011 and 2010, as a result of employees' elections, TI's non-U.S. defined contribution plans held TI

common stock valued at $12 million and $14 million, respectively. Dividends paid on these shares of TI common stock for 2011 and 2010 were not material.

Effect on the statements of income and balance sheets

Expense related to defined benefit and retiree health care benefit plans was as follows:

	U.S. Defined Benefit			U.S. Retiree Health Care			Non-U.S. Defined Benefit		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Service cost	**$ 22**	$ 20	$ 20	**$ 4**	$ 4	$ 4	**$ 41**	$ 37	$ 40
Interest cost	**46**	45	49	**25**	26	26	**69**	62	62
Expected return on plan assets	**(45)**	(49)	(49)	**(21)**	(23)	(28)	**(83)**	(73)	(69)
Amortization of prior service cost (credit)	**1**	1	1	**2**	2	2	**(4)**	(3)	(3)
Recognized net actuarial loss	**23**	22	18	**13**	12	8	**40**	30	34
Net periodic benefit cost	**47**	39	39	**23**	21	12	**63**	53	64
Settlement charges (a)	**—**	37	13	**—**	—	—	**—**	—	15
Curtailment charges (credits)	**—**	—	—	**5**	—	2	**2**	—	(9)
Special termination benefit charges	**4**	—	6	**—**	—	—	**—**	—	3
Total, including charges	**$ 51**	$ 76	$ 58	**$ 28**	$ 21	$ 14	**$ 65**	$ 53	$ 73

(a) Includes restructuring and non-restructuring related settlement charges.

Expenses associated with National's plans for the period from the acquisition date to December 31, 2011, were $2 million for non-U.S. defined benefit plans. National had no defined benefit plans in the U.S.

For the U.S. qualified pension and retiree health care plans, the expected return on the plan assets component of net periodic benefit cost is based upon a market-related value of assets. In accordance with U.S. GAAP, the market-related value of assets generally utilizes a smoothing technique whereby certain gains and losses are phased in over a period of three years.

Changes in the benefit obligations and plan assets for the defined benefit and retiree health care benefit plans were as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2011	2010	2011	2010	2011	2010
Change in plan benefit obligation:						
Benefit obligation at beginning of year	**$ 880**	$ 860	**$ 473**	$ 472	**$ 2,217**	$ 1,945
Service cost	**22**	20	**4**	4	**41**	37
Interest cost	**46**	45	**25**	26	**69**	62
Participant contributions	**—**	—	**18**	17	**1**	3
Benefits paid	**(52)**	(6)	**(43)**	(45)	**(72)**	(70)
Medicare subsidy	**—**	—	**4**	3	**—**	—
Actuarial (gain) loss	**61**	92	**19**	(4)	**91**	132
Settlements	**—**	(131)	**—**	—	**(1)**	—
Curtailments	**(2)**	—	**4**	—	**(3)**	—
Assumed with National acquisition	**—**	—	**—**	—	**301**	—
Special termination benefits	**4**	—	**—**	—	**—**	—
Plan amendments	**—**	—	**17**	—	**—**	(1)
Effects of exchange rate changes	**—**	—	**—**	—	**104**	109
Benefit obligation at end of year (BO)	**$ 959**	$ 880	**$ 521**	$ 473	**$ 2,748**	$ 2,217
Change in plan assets:						
Fair value of plan assets at beginning of year	**$ 833**	$ 859	**$ 404**	$ 374	**$ 1,835**	$ 1,672
Actual return on plan assets	**106**	76	**6**	25	**53**	95
Employer contributions (funding of qualified plans)	**25**	30	**46**	33	**72**	53
Employer contributions (payments for non-qualified plans)	**2**	5	**—**	—	**—**	—
Participant contributions	**—**	—	**18**	17	**1**	3
Assumed with National acquisition	**—**	—	**—**	—	**235**	—
Benefits paid	**(52)**	(6)	**(43)**	(45)	**(72)**	(70)
Settlements	**—**	(131)	**—**	—	**(1)**	—
Effects of exchange rate changes	**—**	—	**—**	—	**88**	82
Fair value of plan assets at end of year (FVPA)	**$ 914**	$ 833	**$ 431**	$ 404	**$ 2,211**	$ 1,835
Funded status (FVPA – BO) at end of year	**$ (45)**	$ (47)	**$ (90)**	$ (69)	**$ (537)**	$ (382)

Amounts recognized on the balance sheet as of December 31, 2011, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	**$ 11**	**$ —**	**$ 29**	**$ 40**
Accrued expenses and other liabilities	**(2)**	**—**	**(9)**	**(11)**
Underfunded retirement plans	**(54)**	**(90)**	**(557)**	**(701)**
Funded status (FVPA – BO) at end of year	**$ (45)**	**$ (90)**	**$ (537)**	**$ (672)**

Amounts recognized on the balance sheet as of December 31, 2010, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	$ 1	$ —	$ 30	$ 31
Accrued expenses and other liabilities	(3)	—	(7)	(10)
Underfunded retirement plans	(45)	(69)	(405)	(519)
Funded status (FVPA – BO) at end of year	$ (47)	$ (69)	$ (382)	$ (498)

Accumulated benefit obligations, which represent the benefit obligations excluding the impact of future salary increases, were $875 million and $813 million at year-end 2011 and 2010, respectively, for the U.S. defined benefit plans, and $2.54 billion and $2.02 billion at year-end 2011 and 2010, respectively, for the non-U.S. defined benefit plans.

The amounts recorded in AOCI for the years ended December 31, 2011 and 2010, are detailed below by plan type:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit		Total	
	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Cost
AOCI balance, December 31, 2010 (net of tax)	$ 157	$ 1	$ 126	$ 6	$ 421	$ (23)	$ 704	$ (16)
Changes in AOCI by category in 2011								
Annual adjustments	**(3)**	**—**	**34**	**17**	**158**	**(3)**	**189**	**14**
Reclassification of recognized transactions	**(23)**	**(1)**	**(12)**	**(4)**	**(40)**	**3**	**(75)**	**(2)**
Less tax expense (benefit)	**9**	**—**	**(8)**	**(5)**	**(39)**	**—**	**(38)**	**(5)**
Total change to AOCI in 2011	**(17)**	**(1)**	**14**	**8**	**79**	**—**	**76**	**7**
AOCI balance, December 31, 2011 (net of tax)	**$ 140**	**$ —**	**$ 140**	**$ 14**	**$ 500**	**$ (23)**	**$ 780**	**$ (9)**

The estimated amounts of net actuarial loss and unrecognized prior service cost (credit) included in AOCI as of December 31, 2011, that are expected to be amortized into net periodic benefit cost over the next fiscal year are: $16 million and $1 million for the U.S. defined benefit plans; $13 million and $4 million for the U.S. retiree health care plan; and $48 million and ($4) million for the non-U.S. defined benefit plans.

Information on plan assets

We report and measure the plan assets of our defined benefit pension and other postretirement plans at fair value. The tables below set forth the fair value of our plan assets as of December 31, 2011 and 2010, using the same three-level hierarchy of fair-value inputs described in Note 9.

	Fair Value at December 31, 2011	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan				
Money market funds	$ 23	$ —	$ 23	$ —
U.S. Government agency and Treasury securities	266	244	22	—
U.S. bond funds	309	—	309	—
U.S. equity funds and option collars	229	—	229	—
International equity funds	52	—	52	—
Limited partnerships	35	—	—	35
Total	$ 914	$ 244	$ 635	$ 35
Assets of U.S. retiree health care plan				
Money market funds	$ 50	$ —	$ 50	$ —
U.S. bond funds	175	175	—	—
U.S. equity funds and option collars	159	40	119	—
International equity funds	47	—	47	—
Total	$ 431	$ 215	$ 216	$ —
Assets of non-U.S. defined benefit plans				
Money market funds	$ 50	$ 41	$ 9	$ —
Local market bond funds	1,129	209	920	—
International/global bond funds	335	3	332	—
Local market equity funds	133	13	120	—
International/global equity funds	521	136	385	—
Other investments	43	—	25	18
Total	$ 2,211	$ 402	$ 1,791	$ 18

	Fair Value at December 31, 2010	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan				
Money market funds	$ 43	$ —	$ 43	$ —
U.S. Government agency and Treasury securities	220	196	24	—
U.S. bond funds	281	—	281	—
U.S. equity funds and option collars	195	—	195	—
International equity funds	60	—	60	—
Limited partnerships	34	—	—	34
Total	$ 833	$ 196	$ 603	$ 34
Assets of U.S. retiree health care plan				
Money market funds	$ 41	$ —	$ 41	$ —
U.S. bond funds	165	165	—	—
U.S. equity funds and option collars	144	41	103	—
International equity funds	54	—	54	—
Total	$ 404	$ 206	$ 198	$ —
Assets of non-U.S. defined benefit plans				
Money market funds	$ 19	$ —	$ 19	$ —
Local market bond funds	669	—	669	—
International/global bond funds	211	—	211	—
Local market equity funds	300	42	258	—
International/global equity funds	555	—	555	—
Other investments	81	—	30	51
Total	$ 1,835	$ 42	$ 1,742	$ 51

The investments in our major benefit plans largely consist of low-cost, broad-market index funds to mitigate risks of concentration within market sectors. In recent years, our investment policy has shifted toward a closer matching of the interest rate sensitivity of the plan assets and liabilities. The appropriate mix of equity and bond investments is determined primarily through the use of detailed asset-liability modeling studies that look to balance the impact of changes in the discount rate against the need to provide asset growth to cover future service cost. Most of our plans around the world have added a greater proportion of fixed income securities with return characteristics that are more closely aligned with changes in the liabilities caused by discount rate volatility. For the U.S. plans, we utilize an option collar strategy to reduce the volatility of returns on investments in U.S. equity funds.

The only Level 3 assets in our worldwide benefit plans are certain private equity limited partnerships in our U.S. pension plan and diversified hedge and property funds in a non-U.S. pension plan. These investments are valued using inputs from the fund managers and internal models.

The following table summarizes the change in the fair values for Level 3 plan assets for the years ending December 31, 2011 and 2010:

	Level 3 Plan Assets	
	U.S. Defined Benefit	Non-U.S. Defined Benefit
Balance, December 31, 2009	$ 34	$ 49
Redemptions	—	(4)
Unrealized gain	—	6
Balance, December 31, 2010	34	51
Redemptions	**—**	**(51)**
Unrealized gain	**1**	**—**
Assumed with National acquisition	**—**	**18**
Balance, December 31, 2011	**$ 35**	**$ 18**

Assumptions and investment policies

	Defined Benefit		U.S. Retiree Health Care	
	2011	2010	2011	2010
Weighted average assumptions used to determine benefit obligations:				
U.S. discount rate	**4.92%**	5.58%	**4.89%**	5.48%
Non-U.S. discount rate	**2.89%**	2.79%		
U.S. average long-term pay progression	**3.50%**	3.40%		
Non-U.S. average long-term pay progression	**3.18%**	3.24%		
Weighted average assumptions used to determine net periodic benefit cost:				
U.S. discount rate	**5.58%**	5.61%	**5.48%**	5.54%
Non-U.S. discount rate	**2.79%**	3.23%		
U.S. long-term rate of return on plan assets	**6.25%**	6.50%	**5.50%**	6.00%
Non-U.S. long-term rate of return on plan assets	**4.17%**	4.23%		
U.S. average long-term pay progression	**3.40%**	3.00%		
Non-U.S. average long-term pay progression	**3.24%**	3.06%		

We utilize a variety of methods to select an appropriate discount rate depending on the depth of the corporate bond market in the country in which the benefit plan operates. In the U.S., we use a settlement approach whereby a portfolio of bonds is selected from the universe of actively traded high-quality U.S. corporate bonds. The selected portfolio is designed to provide cash flows sufficient to pay the plan's expected benefit payments when due. The resulting discount rate reflects the rate of return of the selected portfolio of bonds. For our non-U.S. locations with a sufficient number of actively traded high-quality bonds, an analysis is performed in which the projected cash flows from the defined benefit plans are discounted against a yield curve constructed with an appropriate universe of high-quality corporate bonds available in each country. In this manner, a present value is developed. The discount rate selected is the single equivalent rate that produces the same present value. Both the settlement approach and the yield curve approach produce a discount rate that recognizes each plan's distinct liability characteristics. For countries that lack a sufficient corporate bond market, a government bond index adjusted for an appropriate risk premium is used to establish the discount rate.

Assumptions for the expected long-term rate of return on plan assets are based on future expectations for returns for each asset class and the effect of periodic target asset allocation rebalancing. We adjust the results for the payment of reasonable expenses of the plan from plan assets. We believe our assumptions are appropriate based on the investment mix and long-term nature of the plans' investments.

Assumptions used for the non-U.S. defined benefit plans reflect the different economic environments within the various

countries.

The table below shows target allocation ranges for the plans that hold a substantial majority of the defined benefit assets.

Asset category	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit
Equity securities	35%	50%	25% - 60%
Fixed income securities and cash equivalents	65%	50%	40% - 75%

We intend to rebalance the plans' investments when they are not within the target allocation ranges. Additional contributions are invested consistent with the target ranges and may be used to rebalance the portfolio. The investment allocations and individual investments are chosen with regard to the duration of the obligations of each plan. Most of the assets in the retiree health care benefit plan are invested in a series of Voluntary Employee Benefit Association (VEBA) trusts.

Weighted average asset allocations at December 31, are as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
Asset category	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Equity securities	**35%**	35%	**48%**	49%	**32%**	49%
Fixed income securities	**63%**	60%	**41%**	41%	**66%**	50%
Cash equivalents	**2%**	5%	**11%**	10%	**2%**	1%

None of the plan assets related to the defined benefit pension plans and retiree health care benefit plan are directly invested in TI common stock. As of December 31, 2011, we do not expect to return any of the plans' assets to TI in the next 12 months.

Contributions to the plans meet or exceed all minimum funding requirements. We expect to contribute about $120 million to our retirement benefit plans in 2012.

The following table shows the benefits we expect to pay to participants from the plans in the next ten years. Almost all of the payments will be made from plan assets and not from company assets.

	U.S. Defined Benefit	U.S. Retiree Health Care	Medicare Subsidy	Non-U.S. Defined Benefit
2012	$ 160	$ 35	$ (4)	$ 77
2013	92	37	(4)	80
2014	91	39	(4)	82
2015	94	41	(2)	89
2016	95	43	(2)	92
2017–2021	451	213	(10)	525

Assumed health care cost trend rates for the U.S. retiree health care plan at December 31 are as follows:

	2011	2010
Assumed health care cost trend rate for next year	**9.0%**	9.0%
Ultimate trend rate	**5.0%**	5.0%
Year in which ultimate trend rate is reached	**2017**	2016

Increasing or decreasing health care cost trend rates by one percentage point would have increased or decreased the accumulated postretirement benefit obligation for the U.S. retiree health care plan at December 31, 2011, by $28 million or $24 million and increased or decreased the service cost and interest cost components of 2011 plan expense by $1 million.

Deferred compensation arrangements

We have a deferred compensation plan, which allows U.S. employees whose base salary and management responsibility exceed a certain level to defer receipt of a portion of their cash compensation. Payments under this plan are made based on the participant's distribution election and plan balance. Participants can earn a return on their deferred compensation based on notional investments in the same investment funds that are offered in our defined contribution plans.

As of December 31, 2011, our liability to participants of the deferred compensation plan was $150 million and is recorded in Deferred credits and other liabilities on our Consolidated balance sheets. This amount reflects the accumulated participant deferrals and earnings thereon as of that date. No assets are held in trust for the deferred compensation plan and so we remain liable to the participants. To serve as an economic hedge against changes in fair values of this liability, we invest in similar mutual funds that are recorded in Long-term investments. We record changes in the fair value of the liability and the related investment in SG&A (see Note 9).

In connection with the National acquisition, we assumed its deferred compensation plan. As of December 31, 2011, this consisted of $41 million of obligations and matching assets held in a Rabbi trust. No further contributions will be made into this plan.

13. Debt and lines of credit

Debt balances include amounts assumed related to the National acquisition measured at fair value as of the acquisition date.

Short-term borrowings

We maintain lines of credit to support commercial paper borrowings, if any, and to provide additional liquidity through bank loans. As of December 31, 2011, we had a variable-rate revolving credit facility that allows us to borrow up to $920 million through August 2012. We have a second variable-rate revolving credit facility that allows us to borrow an additional $1 billion until July 2012. These facilities carry a variable rate of interest indexed to the London Interbank Offered Rate (LIBOR).

On July 14, 2011, for general corporate purposes and to maintain cash balances at desired levels, we issued an aggregate of $1.2 billion of commercial paper, which was supported by these existing revolving credit facilities. During the fourth quarter, we repaid $200 million of those borrowings. As of December 31, 2011, the balance of commercial paper outstanding was $1.0 billion. The weighted-borrowing rate for the commercial paper outstanding as of December 31, 2011, was 0.25 percent.

Long-term debt

On May 23, 2011, we issued fixed- and floating-rate long-term debt to help fund the National acquisition. The proceeds of the offering were $3.497 billion, net of the original issuance discount. We also incurred $12 million of issuance costs that are included in Other assets and will be amortized to Interest and debt expense over the term of the debt.

In connection with this issuance, we also entered into an interest rate swap transaction related to the $1.0 billion floating-rate debt due 2013. Under this swap agreement, we will receive variable payments based on three-month LIBOR rates and pay a fixed rate through May 15, 2013. Changes in the cash flows of the interest rate swap are expected to exactly offset the changes in cash flows attributable to fluctuations in the three-month LIBOR-based interest payments. We have designated this interest rate swap as a cash flow hedge and record changes in its fair value in AOCI. The net effect of this swap is to convert the $1.0 billion floating-rate debt to a fixed-rate obligation bearing a rate of 0.922 percent.

At the acquisition date, we assumed $1.0 billion of outstanding National debt with a fair value of $1.105 billion. The excess of the fair value over the stated value will be amortized as a reduction of interest and debt expense over the term of the related debt.

The following table summarizes the total long-term debt outstanding as of December 31, 2011:

Notes due 2012 at 6.15% (assumed with National acquisition)	$ 375
Floating-rate notes due 2013 (swapped to a 0.922% fixed rate)	1,000
Notes due 2013 at 0.875%	500
Notes due 2014 at 1.375%	1,000
Notes due 2015 at 3.95% (assumed with National acquisition)	250
Notes due 2016 at 2.375%	1,000
Notes due 2017 at 6.60% (assumed with National acquisition)	375
	4,500
Add net unamortized premium (assumed with National acquisition)	93
Less current portion of long-term debt	(382)
Total long-term debt	$ 4,211

As of December 31, 2010, we had no outstanding debt. Interest incurred on debt and amortization of debt expense was $42 million in 2011. Interest incurred in 2010 and 2009 was not material. Cash payments for interest on long-term debt were $54 million in 2011.

14. Commitments and contingencies

Operating leases

We conduct certain operations in leased facilities and also lease a portion of our data processing and other equipment. In addition, certain long-term supply agreements to purchase industrial gases are accounted for as operating leases. Lease agreements frequently include purchase and renewal provisions and require us to pay taxes, insurance and maintenance costs. Rental and lease expense incurred was $109 million, $100 million and $114 million in 2011, 2010 and 2009, respectively.

Capitalized software licenses

We have licenses for certain internal-use electronic design automation software that we account for as capital leases. The related liabilities are apportioned between Accounts payable and Deferred credits and other liabilities on our Consolidated balance sheets, depending on the contractual timing of the payment.

Purchase commitments

Some of our purchase commitments entered in the ordinary course of business provide for minimum payments. At December 31, 2011, we had committed to make the following minimum payments under our non-cancellable operating leases, capitalized software licenses and purchase commitments:

	Operating Leases	Capitalized Software Licenses	Purchase Commitments
2012	$ 102	$ 73	$ 215
2013	77	35	97
2014	55	31	20
2015	48	12	4
2016	36	—	2
Thereafter	118	—	10

Indemnification guarantees

We routinely sell products with an intellectual property indemnification included in the terms of sale. Historically, we have had only minimal, infrequent losses associated with these indemnities. Consequently, we cannot reasonably estimate or accrue for any future liabilities that may result.

Warranty costs/product liabilities

We accrue for known product-related claims if a loss is probable and can be reasonably estimated. During the periods presented, there have been no material accruals or payments regarding product warranty or product liability. Historically, we have experienced a low rate of payments on product claims. Although we cannot predict the likelihood or amount of any future claims, we do not believe they will have a material adverse effect on our financial condition, results of operations or liquidity. Consistent with general industry practice, we enter into formal contracts with certain customers that include negotiated warranty remedies. Typically, under these agreements our warranty for semiconductor products includes: three years coverage;

an obligation to repair, replace or refund; and a maximum payment obligation tied to the price paid for our products. In some cases, product claims may exceed the price of our products.

General

We are subject to various legal and administrative proceedings. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity. From time to time, we also negotiate contingent consideration payment arrangements associated with certain acquisitions, which are recorded at fair value.

Discontinued operations indemnity

In connection with the 2006 sale of the former Sensors & Controls (S&C) business, we have agreed to indemnify Sensata Technologies, Inc., for specified litigation matters and certain liabilities, including environmental liabilities. In a settlement with a third party, we have agreed to indemnify that party for certain events relating to S&C products, which events we consider remote. We believe our total remaining potential exposure from both of these indemnities will not exceed $200 million. As of December 31, 2011, we believe future payments related to these indemnity obligations will not have a material effect on our financial condition, results of operations or liquidity.

15. Stockholders' equity

We are authorized to issue 10,000,000 shares of preferred stock. No preferred stock is currently outstanding.

Treasury shares acquired in connection with the board-authorized stock repurchase program in 2011, 2010 and 2009 were 59,466,168 shares, 93,522,896 shares and 45,544,800 shares, respectively. As of December 31, 2011, $5.7 billion of stock repurchase authorizations remain, and no expiration date has been specified.

16. Supplemental financial information

Other income (expense) net	**2011**	**2010**	**2009**
Interest income	**$ 11**	$ 13	$ 24
Other (a)	**(6)**	24	2
Total	**$ 5**	$ 37	$ 26

(a) Includes lease income of approximately $20 million per year, primarily from the purchaser of a former business. As of December 31, 2011, the aggregate amount of non-cancellable future lease payments to be received from these leases is $84 million. These leases contain renewal options. Other also includes miscellaneous non-operational items such as: interest income and expense related to non-investment items such as taxes; gains and losses from our equity method investments; realized gains and losses associated with former equity investments; gains and losses related to former businesses; gains and losses from currency exchange rate changes; and gains and losses from our derivative financial instruments, primarily forward foreign currency exchange contracts. 2011 also includes an expense associated with a settlement related to a divested business.

	Depreciable Lives	**December 31,**	
Property, plant and equipment at cost	**(Years)**	**2011**	**2010**
Land	—	**$ 188**	$ 92
Buildings and improvements	5-40	**2,998**	2,815
Machinery and equipment	3-10	**3,947**	4,000
Total		**$ 7,133**	$ 6,907

Authorizations for property, plant and equipment expenditures in future years were $249 million at December 31, 2011.

	December 31,	
Accrued expenses and other liabilities	**2011**	**2010**
Customer incentive programs and allowances	**$ 190**	$ 118
Severance and related expenses	**140**	19
Property and other non-income taxes	**98**	108
Other	**367**	377
Total	**$ 795**	$ 622

Accumulated other comprehensive income (loss), net of taxes	December 31, 2011	2010
Unrealized losses on available-for-sale investments	**$ (3)**	$ (13)
Postretirement benefit plans:		
Net actuarial loss	**(780)**	(704)
Net prior service credit	**9**	16
Cash flow hedge derivative	**(2)**	—
Total	**$ (776)**	$ (701)

17. Segment and geographic area data

Reportable segments

Our financial reporting structure comprises three reportable segments. These reportable segments, which are established along major categories of products having unique design and development requirements, are as follows:

Analog – Analog semiconductors change real-world signals – such as sound, temperature, pressure or images – by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Analog includes the following major product lines: HVAL, Power, HPA and SVA.

Embedded Processing – Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. We make and sell catalog Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless – Growth in the wireless market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and enable expanded functionality. Many wireless devices also use other semiconductors to enable wireless connectivity using technologies such as Bluetooth®, WiFi networks, GPS, and Near Field Communications. Our OMAP applications processors and connectivity products enable us to take advantage of the increasing demand for more powerful and more functional mobile devices. We design, make and sell products to satisfy each of these requirements.Wireless products are typically sold in high volumes. Our Wireless portfolio includes both catalog products and custom products. Wireless also includes baseband products, which allow a cell phone to connect to the cellular network. We are no longer investing in the development of baseband products, and almost all of our current baseband products are sold to a single customer.

Other

In addition to our reportable segments, we also have Other. Other includes other operating segments that neither meet the quantitative thresholds for individually reportable segments nor are they aggregated with other operating segments. These operating segments primarily include our smaller semiconductor product lines such as DLP® products (primarily used in projectors to create high-definition images), custom semiconductors known as ASICs, and our handheld graphing and scientific calculators.

Other also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements that we may enter into in connection with acquisitions and divestitures. Other may also include certain unallocated income and expenses such as gains and losses on sales of assets; sales tax refunds; and certain litigation costs, settlements or reserves. Except for these few unallocated items, we allocate all of our expenses associated with corporate activities to our operating segments based on specific methodologies, such as percentage of operating expenses or headcount.

Acquisition charges related to National are also recorded in Other in 2011, as detailed in Note 2. The expenses associated with the recognition of fair-value write-up of both inventory and property, plant and equipment are recorded in Other as well. Inventory-related expense was classified in COR as the inventory was sold. The property, plant and equipment-related expense is primarily recognized in COR.

Losses associated with the earthquake in Japan and Restructuring charges related to the 2011 announced actions in Hiji, Japan, and Houston, Texas, are also included in Other. See Notes 3 and 4 for additional information.

With the exception of goodwill, we do not identify or allocate assets by operating segment, nor does the chief operating

decision maker evaluate operating segments using discrete asset information. There was no significant intersegment revenue. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

Segment information

	Analog	Embedded Processing	Wireless	Other	Total
Revenue					
2011	**$ 6,375**	**$ 2,110**	**$ 2,518**	**$ 2,732**	**$ 13,735**
2010	5,979	2,073	2,978	2,936	13,966
2009	4,202	1,471	2,626	2,128	10,427
Operating profit					
2011	**$ 1,693**	**$ 368**	**$ 412**	**$ 519**	**$ 2,992**
2010	1,876	491	683	1,464	4,514
2009	770	194	315	712	1,991

Geographic area information

The following geographic area data include revenue, based on product shipment destination and royalty payor location, and property, plant and equipment, based on physical location:

	U.S.	Asia	Europe	Japan	Rest of World	Total
Revenue						
2011	**$ 1,468**	**$ 8,619**	**$ 1,822**	**$ 1,462**	**$ 364**	**$ 13,735**
2010	1,539	8,903	1,760	1,366	398	13,966
2009	1,140	6,575	1,408	976	328	10,427
Property, plant and equipment, net						
2011	**$ 2,159**	**$ 1,739**	**$ 276**	**$ 228**	**$ 26**	**$ 4,428**
2010	1,694	1,575	139	249	23	3,680
2009	1,727	1,013	161	244	13	3,158

Major customer

Sales to the Nokia group of companies, including sales to indirect contract manufacturers, accounted for 13 percent, 19 percent and 24 percent of our 2011, 2010 and 2009 revenue, respectively. Revenue from sales to Nokia is reflected primarily in our Wireless segment.

Report of independent registered public accounting firm

The Board of Directors and Stockholders
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheets of Texas Instruments Incorporated and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Texas Instruments Incorporated and subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2012, expressed an unqualified opinion thereon.

Dallas, Texas
February 24, 2012

Report by management on internal control over financial reporting

The management of TI is responsible for establishing and maintaining effective internal control over financial reporting. TI's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements issued for external purposes in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TI management assessed the effectiveness of internal control over financial reporting as of December 31, 2011. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) in Internal Control – Integrated Framework.

We acquired National Semiconductor Corporation (National) on September 23, 2011. We excluded from our assessment the internal control over financial reporting of National. National's results since the acquisition date are included in the December 31, 2011, consolidated financial statements of TI and constituted approximately 4 percent and 5 percent of total assets and net assets, respectively, as of December 31, 2011, and approximately 2 percent of revenue for the year then ended. See Note 2 to the financial statements included elsewhere in this annual report for a discussion of this acquisition.

Based on our assessment we believe that, as of December 31, 2011, our internal control over financial reporting is effective based on the COSO criteria.

TI's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which immediately follows this report.

Report of independent registered public accounting firm
on internal control over financial reporting

The Board of Directors and Stockholders
Texas Instruments Incorporated

We have audited Texas Instruments Incorporated's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Texas Instruments Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report by management on internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report by management on internal control over financial reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting excluded the internal controls of National Semiconductor Corporation, which is included in the December 31, 2011, consolidated financial statements of Texas Instruments Incorporated and constituted approximately 4 percent and 5 percent of total and net assets, respectively, as of December 31, 2011, and approximately 2 percent of revenue for the year then ended. Our audit of internal control over financial reporting of Texas Instruments Incorporated also did not include an evaluation of the internal control over financial reporting of National Semiconductor Corporation.

In our opinion, Texas Instruments Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Texas Instruments Incorporated and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2011, and our report dated February 24, 2012, expressed an unqualified opinion thereon.

Ernst & Young LLP

Dallas, Texas
February 24, 2012

Summary of selected financial data	For Years Ended December 31, 2011	2010	2009	2008	2007
[Millions of dollars, except share and per-share amounts]					
Revenue	**$ 13,735**	$ 13,966	$ 10,427	$ 12,501	$ 13,835
Operating costs and expenses (a) (b) (c)	**10,743**	9,452	8,436	10,064	10,338
Operating profit	**2,992**	4,514	1,991	2,437	3,497
Other income (expense) net (d)	**(37)**	37	26	44	195
Income from continuing operations before income taxes	**2,955**	4,551	2,017	2,481	3,692
Provision for income taxes	**719**	1,323	547	561	1,051
Income from continuing operations	**2,236**	3,228	1,470	1,920	2,641
Income from discontinued operations, net of income taxes	**—**	—	—	—	16
Net income	**$ 2,236**	$ 3,228	$ 1,470	$ 1,920	$ 2,657
Basic income from continuing operations per common share	**$ 1.91**	$ 2.66	$ 1.16	$ 1.46	$ 1.86
Diluted income from continuing operations per common share	**$ 1.88**	$ 2.62	$ 1.15	$ 1.44	$ 1.82
Dividends declared per common share	**$ 0.56**	$ 0.49	$ 0.45	$ 0.41	$ 0.30
Average dilutive potential common shares outstanding during year, in thousands	**1,171,364**	1,212,940	1,268,533	1,321,250	1,444,163

(a) In 2011, we acquired National and incurred acquisition-related charges of $426 million.

(b) Includes Restructuring charges of $112 million, $33 million, $212 million, $254 million and $52 million in 2011, 2010, 2009, 2008 and 2007, respectively.

(c) Includes gains from the divestiture of product lines of $144 million in 2010 and $39 million in 2007.

(d) Includes Interest and debt expense of $42 million in 2011.

	December 31, 2011	2010	2009	2008	2007
Working capital	**$ 4,329**	$ 5,079	$ 4,527	$ 4,258	$ 4,893
Property, plant and equipment, net	**4,428**	3,680	3,158	3,304	3,609
Total assets	**20,497**	13,401	12,119	11,923	12,667
Long-term debt	**4,211**	—	—	—	—
Stockholders' equity	**10,952**	10,437	9,722	9,326	9,975
Employees	**34,759**	28,412	26,584	29,537	30,175
Stockholders of record	**19,733**	20,525	24,190	25,107	26,037

	For Years Ended December 31, 2011	2010	2009	2008	2007
Net cash provided by operating activities	**$ 3,256**	$ 3,820	$ 2,643	$ 3,330	$ 4,407
Capital expenditures	**816**	1,199	753	763	686
Dividends declared and paid	**644**	592	567	537	425
Stock repurchases	**1,973**	2,454	954	2,122	4,886

See Notes to financial statements and Management's discussion and analysis of financial condition and results of operations.

Management's discussion and analysis of financial condition and results of operations

The following should be read in conjunction with the financial statements and the related notes that appear elsewhere in this document. All dollar amounts in the tables in this discussion are stated in millions of U.S. dollars, except per-share amounts.

Overview

We design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 35 countries. We have four segments: Analog, Embedded Processing, Wireless and Other. We expect Analog and Embedded Processing to be our primary growth engines in the years ahead, and we therefore focus our resources on these segments.

We were the world's fourth largest semiconductor company in 2011 as measured by revenue, according to preliminary estimates from an external source. Additionally, we sell calculators and related products.

On September 23, 2011, we completed the acquisition of National Semiconductor Corporation (National). The acquisition has brought to TI a portfolio of thousands of analog products, strong customer design tools and additional manufacturing capacity, and is consistent with our strategy to grow our Analog business. The results of National's operations from the acquisition date are included in our Analog segment under the name Silicon Valley Analog.

Product information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors come in two basic forms: individual transistors and integrated circuits (generally known as "chips") that combine multiple transistors on a single piece of material to form a complete electronic circuit. Our products, more than 80,000 in number, are integrated circuits that are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. This broad portfolio includes products that are integral to almost all electronic equipment.

We sell custom and catalog semiconductor products. Custom products are designed for a specific customer for a specific application, are sold only to that customer and are typically sold directly to the customer. The life cycles of custom products are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months. Catalog products are designed for use by many customers and/or many applications and are generally sold through both distribution and direct channels. They include both proprietary and commodity products. The life cycles of catalog products are generally longer than for custom products.

Additional information regarding each segment's products follows.

Analog

Analog semiconductors change real-world signals — such as sound, temperature, pressure or images — by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as digital signal processors (DSPs). Analog semiconductors are also used to manage power distribution and consumption. Sales to our Analog segment's more than 90,000 customers generated about 47 percent of our revenue in 2011. According to external sources, the worldwide market for analog semiconductors was about $43 billion in 2011. Our Analog segment's revenue in 2011 was about $6.5 billion, or about 15 percent of this fragmented market, the leading position. We believe that we are well positioned to increase our market share over time.

Our Analog segment includes the following major product lines: High Volume Analog & Logic (HVAL), Power Management (Power), High Performance Analog (HPA) and Silicon Valley Analog (SVA).

HVAL products: These include both high-volume analog products and logic and standard linear products. High-volume analog includes products for specific applications, including custom products. The life cycles of our high-volume analog products are generally shorter than most of our other Analog product lines. End markets for high-volume analog products include communications, automotive, computing and many consumer electronics products. Logic and standard linear includes commodity products marketed to many different customers for many different applications.

Power products: These include both catalog and custom semiconductors that help customers manage power in any type of electronic system. We design and manufacture power management semiconductors for both portable devices (battery-powered devices, such as handheld consumer electronics, laptop computers and cordless power tools) and line-powered systems (products that require an external electrical source, such as computers, digital TVs, wireless basestations and high-voltage industrial equipment).

HPA products: These include catalog analog semiconductors, such as amplifiers, data converters and interface semiconductors, that we market to many different customers who use them in manufacturing a wide range of products sold in many end markets, including the industrial, communications, computing and consumer electronics markets. HPA products

generally have long life cycles, often more than 10 years.

SVA products: These include catalog analog products, particularly in the areas of power management, data converters, interface and operational amplifiers, nearly all of which are complementary to our other Analog products. This portfolio of thousands of products is marketed to many different customers who use them in manufacturing a wide range of products sold in many end markets. Many SVA products have long life cycles, often more than 10 years.

Embedded Processing

Our Embedded Processing products include our DSPs and microcontrollers. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Microcontrollers are designed to control a set of specific tasks for electronic equipment. Sales of Embedded Processing products generated about 15 percent of our revenue in 2011. According to external sources, the worldwide market for embedded processors was about $18 billion in 2011. Our Embedded Processing segment's revenue in 2011 was about $2.0 billion, or about 12 percent of this fragmented market. We believe we are well positioned to increase our market share over time.

An important characteristic of our Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because customers prefer to re-use software from one product generation to the next. We make and sell catalog Embedded Processing products used in many different applications and custom Embedded Processing products used in specific applications, such as communications infrastructure equipment and automotive.

Wireless

Growth in the wireless market is being driven by the demand for smartphones, tablet computers and other emerging portable devices. Many of today's smartphones and tablets use an applications processor to run the device's software operating system and to enable the expanding functionality that has made smartphones and tablets the fastest growing wireless market segments. Many wireless devices also use other semiconductors to enable wireless connectivity using technologies such as Bluetooth®, WiFi networks, GPS and Near Field Communications.

We design, make and sell products to satisfy each of these requirements. Wireless products are typically sold in high volumes. Our Wireless portfolio includes both catalog products and custom products. Sales of Wireless products generated about $2.5 billion, or about 18 percent of our revenue, in 2011, with a majority of those sales to a single customer.

Our Wireless investments are concentrated on our OMAP™ applications processors and our connectivity products, areas we believe offer significant growth opportunities and which will enable us to take advantage of the increasing demand for more powerful and more functional wireless devices. We no longer invest in development of baseband products (products that allow a cell phone to connect to the cellular network), an area we believe offers far less promising growth prospects. Almost all of our baseband products are sold to a single customer. We expect substantially all of our baseband revenue, which was $1.1 billion in 2011, to cease by the end of 2012.

Other

Our Other segment includes revenue from our smaller semiconductor product lines and from sales of our handheld graphing and scientific calculators. It also includes royalties received for our patented technology that we license to other electronics companies and revenue from transitional supply agreements that we may enter into in connection with acquisitions and divestitures. The semiconductor products in our Other segment include DLP® products (primarily used in projectors to create high-definition images) and custom semiconductors known as application-specific integrated circuits (ASICs). This segment generated about $2.5 billion, or about 20 percent of our revenue, in 2011. We also include in our Other segment certain acquisition-related charges that are not used in evaluating results and allocating resources to our segments. These charges include certain fair-value adjustments, restructuring charges, transaction expenses, acquisition-related retention bonuses and the amortization of intangible assets.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. Because of the longer product life cycles of catalog products and their inherently lower risk of obsolescence, we generally carry more of those products than custom products. Additionally, we sometimes maintain
catalog-product inventory in unfinished wafer form, as well as higher finished goods inventory of low-volume products, allowing greater flexibility in periods of high demand. We also have consignment inventory programs in place for our largest customers and some distributors.

Manufacturing

Semiconductor manufacturing begins with a sequence of photo-lithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is tested and the wafer is cut into pieces called chips. Each chip is assembled into a package that then is usually retested. The entire process typically requires between

12 and 18 weeks and takes place in highly specialized facilities.

We own and operate semiconductor manufacturing facilities in North America, Asia and Europe. These include both high-volume wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. In general, these fixed costs do not decline with reductions in customer demand or utilization of capacity, potentially hurting our profit margins. Conversely, as product demand rises and factory utilization increases, the fixed costs are spread over increased output, potentially benefiting our profit margins.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by product. Our Analog products and most of our Embedded Processing products can be manufactured using older, less expensive equipment than is needed for manufacturing advanced logic products, such as our Wireless products. Advanced logic wafer manufacturing continually requires new and expensive processes and equipment. In contrast, the processes and equipment required for manufacturing our Analog products and most of our Embedded Processing products do not have this requirement.

To supplement our internal wafer fabrication capacity and maximize our responsiveness to customer demand and return on capital, our wafer manufacturing strategy utilizes the capacity of outside suppliers, commonly known as foundries. We source about 25 percent of our wafers from external foundries, with the vast majority of this outsourcing being for advanced logic wafers. In 2011, external foundries provided about 75 percent of the fabricated wafers for our advanced logic manufacturing needs. We expect the proportion of our advanced logic wafers provided by foundries will increase over time. We expect to maintain sufficient internal wafer fabrication capacity to meet the vast majority of our analog production needs.

In addition to using foundries to supplement our wafer fabrication capacity, we selectively use subcontractors to supplement our assembly/test capacity. We generally use subcontractors for assembly/test of products that would be less cost-efficient to complete in-house (e.g., relatively low-volume products that are unlikely to keep internal equipment fully utilized), or when demand temporarily exceeds our internal capacity. We believe we often have a cost advantage from maintaining internal assembly/test capacity.

Our internal/external manufacturing strategy reduces the level of our required capital expenditures, and thereby reduces our subsequent levels of depreciation below what it would be if we sourced all manufacturing internally. Consequently, we experience less fluctuation in our profit margins due to changing product demand, and lower cash requirements for expanding and updating our manufacturing capabilities.

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing processes. Semiconductor prices and manufacturing costs tend to decline over time as manufacturing processes and product life cycles mature. Typically, new chips are produced in limited quantities at first and then ramp to high-volume production over time. Consequently, new products tend not to have a significant revenue impact for one or more quarters after their introduction. In the results discussions below, changes in our shipments are caused by changing demand for our products unless otherwise noted.

Market cycle

The “semiconductor cycle” is an important concept that refers to the ebb and flow of supply. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. This cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

Seasonality

Our revenue and operating results are subject to some seasonal variation. Our semiconductor sales generally are seasonally weaker in the first quarter than in other quarters, particularly for products sold into cell phones and other consumer electronics devices, which have stronger sales later in the year as manufacturers prepare for the major holiday selling seasons. Calculator revenue is tied to the U.S. back-to-school season and is therefore at its highest in the second and third quarters.

Tax considerations

We operate in a number of tax jurisdictions and are subject to several types of taxes including those that are based on income, capital, property and payroll, as well as sales and other transactional taxes. The timing of the final determination of our tax liabilities varies by jurisdiction and taxing authority. As a result, during any particular reporting period we might reflect in our financial statements one or more tax refunds or assessments, or changes to tax liabilities, involving one or more taxing authorities.

Results of operations

2011 compared with 2010

Our 2011 revenue was $13.73 billion, net income was $2.24 billion and earnings per share (EPS) were $1.88.

In 2011, we made solid progress in strengthening our core businesses of Analog, Embedded Processing and Wireless. Although the year started strong, global economic uncertainty and the earthquake in Japan impacted TI, our customers and our suppliers. Despite these challenges, we successfully completed the acquisition of National, we gained share in the Analog and Embedded Processing markets, and we had solid revenue growth from our OMAP products. We also continued to wind down our baseband operations. As a result, we left the year with a sharpened focus on our core businesses. Despite the semiconductor downturn that began in the third quarter, we left the year seeing higher-than-expected revenue increases across all our major product lines.

	For Years Ended December 31,		
	2011	**2010**	**2009**
Revenue by segment:			
Analog	**$ 6,375**	$ 5,979	$ 4,202
Embedded Processing	**2,110**	2,073	1,471
Wireless	**2,518**	2,978	2,626
Other	**2,732**	2,936	2,128
Revenue	**13,735**	13,966	10,427
Cost of revenue (COR)	**6,963**	6,474	5,428
Gross profit	**6,772**	7,492	4,999
Research and development (R&D)	**1,715**	1,570	1,476
Selling, general and administrative (SG&A)	**1,638**	1,519	1,320
Restructuring charges	**112**	33	212
Acquisition charges/divestiture (gain)	**315**	(144)	—
Operating profit	**2,992**	4,514	1,991
Other income (expense) net (OI&E)	**5**	37	26
Interest and debt expense	**42**	—	—
Income before income taxes	**2,955**	4,551	2,017
Provision for income taxes	**719**	1,323	547
Net income	**$ 2,236**	$ 3,228	$ 1,470
Diluted income per common share	**$ 1.88**	$ 2.62	$ 1.15

Percentage of revenue:			
Gross profit	**49.3%**	53.6%	47.9%
R&D	**12.5%**	11.2%	14.2%
SG&A	**11.9%**	10.9%	12.6%
Operating profit	**21.8%**	32.3%	19.1%

As required by accounting rule ASC 260, net income allocated to unvested restricted stock units (RSUs), on which TI pays dividend equivalents, is excluded from the calculation of EPS. The amount excluded from earnings per common share was $34 million, $44 million and $14 million for the years ended December 31, 2011, December 31, 2010, and December 31, 2009, respectively.

Impact of National acquisition

We completed our acquisition of National on September 23, 2011. We recorded the assets acquired and liabilities assumed measured at fair value as of that date. The total consideration transferred for the acquisition was $6.56 billion and the fair value

of the net assets acquired and liabilities assumed after adjustments in the fourth quarter of 2011 was $3.03 billion, resulting in goodwill of $3.53 billion. The results of National's operations from the acquisition date are included in the Analog segment under SVA. See Note 2 to the financial statements for more details regarding the acquisition.

As a direct result of the National acquisition, we incurred various incremental costs that we recorded in our Other segment. The total acquisition-related charges are as follows:

	For Year Ended December 31, 2011
Inventory related	**$ 96**
Property, plant and equipment related	**15**
As recorded in COR	**111**
Amortization of intangible assets	**87**
Severance and other benefits:	
Change of control	**41**
Announced employment reductions	**29**
Stock-based compensation	**50**
Transaction costs	**48**
Retention bonuses	**46**
Other	**14**
As recorded in Acquisition charges/divestiture (gain)	**315**
Total acquisition-related charges	**$ 426**

We recognized costs associated with the adjustments to write up the value of acquired inventory and property, plant and equipment to fair value as of the acquisition date. These fair-value adjustments will have an impact on future operating results. The costs shown above are in addition to the normal expensing of the acquired assets based on their carrying or book value prior to the acquisition. These additional costs are separately identifiable from the ongoing operating results of SVA that are included in the Analog segment, so we have classified them as a part of our Other segment. This presentation is consistent with how management measures the performance of those segments.

The total fair-value write-up for the acquired inventory was expensed as that inventory was sold.

The total fair-value write-up for the acquired property, plant and equipment was $436 million, which is being depreciated at a rate of about $15 million per quarter beginning in the fourth quarter of 2011, and will be recognized in COR.

See Note 2 to the financial statements for more details regarding these acquisition-related charges.

Total acquisition-related charges are expected to be about $170 million for the first quarter of 2012 (about $20 million of which will be recorded in COR and the balance in Acquisition charges/divestiture (gain)) then drop to about $110 million in the second quarter of 2012. These charges will then continue to decline by about $10 million per quarter until they reach about $80 million, which is the ongoing amortization of intangibles amount that will continue for 8 to 10 years.

Impact of restructuring

Also recognized in the fourth quarter of 2011 are restructuring charges associated with our recently announced plans to close two older semiconductor manufacturing facilities in Hiji, Japan, and Houston, Texas, over the next 18 months. Combined, these facilities supported about 4 percent of TI's revenue in 2011, and each employs about 500 people. As needed, production from these facilities will be moved to other more advanced TI factories. The total charge for these closures is estimated at $215 million, of which $112 million was recognized in the fourth quarter and the remainder will be incurred over the next seven quarters. The restructuring charges recognized in the fourth quarter of 2011 are included in our Other segment and consist of $107 million for severance and benefit costs and $5 million of accelerated depreciation of the facilities' assets. Of the estimated $215 million total cost, about $135 million will be for severance and related benefits, about $30 million will be for accelerated depreciation of facility assets and about $50 million will be for other exit costs. Annual savings will be about $100 million once this action is complete. See Note 4 to the financial statements for more details.

Details of 2011 financial results

Revenue in 2011 was $13.73 billion, down $231 million, or 2 percent, from 2010 due to lower revenue from Wireless baseband products. Revenue from our core businesses was higher primarily due to the inclusion of results from SVA, and to a lesser extent, increased revenue from OMAP applications processors.

Gross profit in 2011 was $6.77 billion, a decrease of $720 million, or 10 percent, from 2010. This decrease was primarily due to a combination of, in decreasing order, lower revenue, lower average levels of factory utilization as we reduced production in response to weaker demand, acquisition-related charges reflected in COR and inventory charges. Lower factory utilization decreased our gross profit by $175 million from the year-ago period. Gross profit margin was 49.3 percent of revenue compared with 53.6 percent in 2010.

Operating expenses were $1.72 billion for R&D and $1.64 billion for SG&A. R&D expense increased $145 million, or 9 percent, from 2010 due to the addition of SVA and higher product development costs in our other major Analog product lines, Embedded Processing and Wireless. R&D expense as a percent of revenue was 12.5 percent compared with 11.2 percent in the year-ago period.

SG&A expense increased $119 million, or 8 percent, from 2010 primarily due to the addition of SVA, and to a lesser extent, higher investments in sales and marketing in support of our other major Analog product lines, Embedded Processing and Wireless. SG&A expense as a percent of revenue was 11.9 percent compared with 10.9 percent in the year-ago period.

As mentioned above, restructuring charges for 2011 were associated with actions initiated for facilities in Texas and Japan. Restructuring charges for 2010 were associated with actions taken in 2009 and represent pension benefit settlements as terminated employees took those benefits in the form of lump-sum payments.

Compared with acquisition charges of $315 million in 2011, in 2010 we recognized a gain of $144 million from the divestiture of a product line previously included in our Other segment.

Operating profit was $2.99 billion, or 21.8 percent of revenue, compared with $4.51 billion, or 32.3 percent of revenue, in 2010. This decrease was due to, in decreasing order, lower gross profit, higher total acquisition-related charges, higher operating expenses and a gain on the divestiture of a product line in 2010.

OI&E for 2011 was income of $5 million. This was $32 million lower than in 2010 due to an expense in 2011 associated with a settlement related to a divested business.

Interest and debt expense was $42 million. This includes interest and amortization of debt expense associated with our issuance of new debt in 2011 and the assumption of debt as a result of our acquisition of National. See Note 13 to the financial statements for details regarding debt outstanding.

The tax provision for 2011 was $719 million compared with $1.32 billion for the prior year. The decrease was primarily due to lower income before income taxes. See Note 7 to the financial statements for a reconciliation of tax rates to the statutory federal tax rate.

Net income was $2.24 billion, a decrease of $992 million from 2010. EPS for 2011 was $1.88 compared with $2.62 for 2010. EPS benefited $0.07 from 2010 due to a lower number of average shares outstanding as a result of our stock repurchase program.

Orders were $13.12 billion, a decrease of 6 percent compared with 2010. The decrease reflected lower demand across a broad range of products.

Segment results

A detailed discussion of our segment results appears below.

Analog

	2011	2010	2011 vs. 2010
Revenue	**$ 6,375**	$ 5,979	7 %
Operating profit	**1,693**	1,876	-10 %
Operating profit % of revenue	**26.6%**	31.4%	
Restructuring charges*	**$ —**	$ 13	

* Included in operating profit

Analog revenue increased $396 million, or 7 percent, from 2010 primarily due to the inclusion of SVA results, and to a lesser

extent, increased shipments of Power Management and High Volume Analog & Logic products. Partially offsetting these increases was lower revenue from High Performance Analog due to normal price declines.

Operating profit was $1.69 billion, or 26.6 percent of revenue. This was a decrease of $183 million, or 10 percent, compared with 2010 due to higher operating expenses from the inclusion of SVA and, to a lesser extent, lower gross profit resulting from lower factory utilization.

Embedded Processing

	2011	2010	2011 vs. 2010
Revenue	**$ 2,110**	$ 2,073	2 %
Operating profit	**368**	491	-25 %
Operating profit % of revenue	**17.4%**	23.7%	
Restructuring charges*	**$ —**	$ 6	

* Included in operating profit

Embedded Processing revenue increased $37 million, or 2 percent, compared with 2010 due to increased shipments of products sold into automotive and communications infrastructure applications. Partially offsetting these increases was lower revenue from catalog products resulting from a decreased proportion of shipments of higher-priced catalog products.

Operating profit was $368 million, or 17.4 percent of revenue. This was a decrease of $123 million, or 25 percent, compared with 2010 primarily due to lower gross profit, and to a lesser extent, higher operating expenses. Lower gross profit was primarily due to lower factory utilization and the effect of the mix of products, which contributed about equally to the change.

Wireless

	2011	2010	2011 vs. 2010
Revenue	**$ 2,518**	$ 2,978	-15 %
Operating profit	**412**	683	-40 %
Operating profit % of revenue	**16.4%**	22.9%	
Restructuring charges*	**$ —**	$ 10	

* Included in operating profit

Wireless revenue decreased $460 million, or 15 percent, from 2010 due to decreased shipments of baseband products, and to a much lesser extent, connectivity products. Partially offsetting these decreases was growth in revenue from OMAP applications processors due to an increased proportion of shipments of higher-priced products. Baseband revenue for 2011 was $1.10 billion, a decrease of $609 million, or 36 percent, compared with 2010. We expect baseband quarterly revenue to decline from the fourth quarter level of $279 million and range between $50 million and $100 million per quarter during 2012.

Operating profit was $412 million, or 16.4 percent of revenue. This was a decrease of $271 million, or 40 percent, compared with 2010 primarily due to lower revenue and associated gross profit.

Other

	2011	2010	2011 vs. 2010
Revenue	**$ 2,732**	$ 2,936	-7 %
Operating profit	**519**	1,464	-65 %
Operating profit % of revenue	**19.0%**	49.9%	
Restructuring charges*	**$ 112**	$ 4	
Acquisition charges/divestiture (gain)*	**315**	(144)	

* Included in operating profit

Revenue from Other was $2.73 billion in 2011. This was a decrease of $204 million, or 7 percent, from 2010 primarily due to decreased shipments across most areas.

Operating profit for 2011 from Other was $519 million, or 19.0 percent of revenue. This was a decrease of $945 million, or 65 percent, compared with 2010 due to charges associated with the National acquisition; the absence of a gain on divestiture; lower revenue and associated gross profit; restructuring charges related to actions to begin in 2012; and the net losses associated with the Japan earthquake. See Note 3 to the financial statements for a detailed discussion regarding the impact of the Japan earthquake.

Prior results of operations

2010 compared with 2009

Our 2010 revenue was $13.97 billion, net income was $3.23 billion and EPS was $2.62.

2010 was an important year in the transformation of TI to a company focused on Analog and Embedded Processing. We saw strong revenue growth of 34 percent led by those businesses as well as the part of our Wireless segment that is focused on smartphones and tablet computers. Each of these businesses grew more than 40 percent and gained significant market share. Success in these businesses let us again return cash to shareholders by repurchasing $2.45 billion of our stock and paying dividends of nearly $600 million. In 2010, we continued to expand our analog manufacturing capacity through the acquisitions of wafer fabrication facilities in Japan and China, and the purchase and installation of analog wafer manufacturing equipment. These manufacturing assets were purchased at very cost-effective pricing such that the impact to depreciation will be minimal. In total, the equipment and factories purchased at discounted prices since late 2009 will support more than $5 billion of total additional revenue once fully operational.

Details of 2010 financial results

Revenue in 2010 was $13.97 billion, up $3.54 billion, or 34 percent, from 2009. Revenue in all segments increased compared with 2009, with particular strength in our core businesses, due to increased shipments across a broad range of products.

Gross profit was $7.49 billion, an increase of $2.49 billion, or 50 percent, from 2009. This increase was primarily due to higher revenue, and to a lesser extent, the impact of improved factory utilization. Improved factory utilization increased our gross profit by $291 million from 2009. Gross profit margin was 53.6 percent of revenue compared with 47.9 percent in 2009.

Operating expenses were $1.57 billion for R&D and $1.52 billion for SG&A. R&D expense increased $94 million, or 6 percent, from 2009 due to higher compensation-related costs. R&D expense as a percent of revenue was 11.2 percent compared with 14.2 percent in 2009. R&D expense increased in the core businesses.

SG&A expense increased $199 million, or 15 percent, from 2009 primarily due to higher compensation-related costs, and to a lesser extent, higher sales and marketing costs. SG&A expense as a percent of revenue was 10.9 percent compared with 12.6 percent in 2009.

Restructuring charges were $33 million compared with $212 million in 2009.

In 2010, we recognized a gain of $144 million from the sale of a product line previously included in our Other segment.

Operating profit was $4.51 billion, or 32.3 percent of revenue, compared with $1.99 billion, or 19.1 percent of revenue, in 2009. This increase was due to the increase in revenue and the associated gross profit. Operating profit increased from 2009 in all segments.

The tax provision for 2010 was $1.32 billion compared with $547 million for the prior year. The increase was due to higher income before income taxes. In December 2010, the President signed into law the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, which reinstated the federal research tax credit with effect retroactively to January 1, 2010. The effect of the reinstatement of this tax credit was recorded in the fourth quarter of 2010.

Net income was $3.23 billion, an increase of $1.76 billion from 2009. EPS for 2010 was $2.62 compared with $1.15 for 2009. EPS benefited $0.12 from a lower number of average shares outstanding as a result of our stock repurchase program.

Orders were $13.93 billion, an increase of 23 percent compared with 2009. The increase reflected higher demand across a broad range of products.

Segment results

A detailed discussion of our segment results appears below.

Analog

	2010	2009	2010 vs. 2009
Revenue	**$ 5,979**	$ 4,202	42%
Operating profit	**1,876**	770	144%
Operating profit % of revenue	**31.4%**	18.3%	
Restructuring charges*	**$ 13**	$ 84	

* Included in operating profit

Analog revenue increased $1.78 billion, or 42 percent, from 2009 due to increased shipments of, in decreasing order, High Volume Analog & Logic, Power Management and High Performance Analog products.

Operating profit was $1.88 billion, or 31.4 percent of revenue. This was an increase of $1.11 billion, or 144 percent, compared with 2009 due to higher revenue and associated gross profit.

Embedded Processing

	2010	2009	2010 vs. 2009
Revenue	**$ 2,073**	$ 1,471	41%
Operating profit	**491**	194	153%
Operating profit % of revenue	**23.7%**	13.2%	
Restructuring charges*	**$ 6**	$ 43	

* Included in operating profit

Embedded Processing revenue increased $602 million, or 41 percent, compared with 2009 primarily due to increased shipments of catalog products, and to a lesser extent, products sold into communications infrastructure and automotive applications.

Operating profit was $491 million, or 23.7 percent of revenue. This was an increase of $297 million, or 153 percent, compared with 2009 due to higher revenue and associated gross profit.

Wireless

	2010	2009	2010 vs. 2009
Revenue	**$ 2,978**	$ 2,626	13%
Operating profit	**683**	315	117%
Operating profit % of revenue	**22.9%**	12.0%	
Restructuring charges*	**$ 10**	$ 62	

* Included in operating profit

Wireless revenue increased $352 million, or 13 percent, from 2009 primarily due to increased shipments of connectivity products, and to a lesser extent, OMAP applications processors. Baseband revenue for 2010 was $1.71 billion, about even compared with 2009.

Operating profit was $683 million, or 22.9 percent of revenue. This was an increase of $368 million, or 117 percent, compared with 2009 primarily due to higher revenue and associated gross profit.

Other

	2010	2009	2010 vs. 2009
Revenue	**$ 2,936**	$ 2,128	38%
Operating profit	**1,464**	712	106%
Operating profit % of revenue	**49.9%**	33.5%	
Restructuring charges*	**$ 4**	$ 23	
Acquisition charges/divestiture (gain)*	**$ -144**	$ —	

* Included in operating profit

Revenue from Other was $2.94 billion in 2010. This was an increase of $808 million, or 38 percent, from 2009 primarily due to increased shipments of DLP products and, to a lesser extent, custom ASIC products. Also contributing to the increase in revenue were higher royalties, and revenue from transitional supply agreements associated with recently acquired factories and from increased shipments of calculators.

Operating profit for 2010 from Other was $1.46 billion, or 49.9 percent of revenue. This was an increase of $752 million, or 106 percent, compared with 2009 due to higher revenue and associated gross profit and, to a lesser extent, the gain on the sale of a product line.

Financial condition

At the end of 2011, total cash (Cash and cash equivalents plus Short-term investments) was $2.94 billion, a decrease of $137 million from the end of 2010.

Accounts receivable were $1.55 billion at the end of 2011. This was an increase of $27 million compared with the end of 2010. Days sales outstanding were 41 at the end of 2011 compared with 39 at the end of 2010. The increase in accounts receivable was due to higher revenue in December 2011 than in December 2010.

Inventory was $1.79 billion at the end of 2011. This was an increase of $268 million from the end of 2010. Days of inventory at the end of 2011 were 86 compared with 83 at the end of 2010. The increase in inventory was primarily due to rebuilding inventory to support higher customer service levels with shorter lead times, as well as inventory associated with the National acquisition.

Liquidity and capital resources

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are cash and cash equivalents, short-term investments, and revolving credit facilities. Cash flow from operations for 2011 was $3.26 billion, a decrease of $564 million from the prior year due to lower net income.

We had $992 million of cash and cash equivalents and $1.94 billion of short-term investments as of December 31, 2011.

We have a variable-rate revolving credit facility that allows us to borrow up to $920 million until August 2012. We have a second variable-rate revolving credit facility that allows us to borrow an additional $1 billion until July 2012. We intend to replace these credit facilities in 2012.

In 2011, investing activities used $5.43 billion primarily for the National acquisition, net of cash acquired. See Notes 2 and 10 to the financial statements for details regarding acquisitions. In comparison, in 2010 we used $199 million for acquisitions that included wafer fabrication facilities and related equipment. For 2011, capital expenditures were $816 million compared with $1.20 billion in 2010. Capital expenditures in 2011 were primarily for assembly/test equipment and analog wafer manufacturing equipment.

For 2011, financing activities provided net cash of $2.59 billion compared with cash used in financing activities of $2.63 billion in 2010. For 2011, we received proceeds of $3.50 billion from the issuance in May of fixed- and variable-rate long-term debt (net of the original issuance discount) and a net $1 billion from the issuance of commercial paper. The long-term debt was used in the National acquisition and the commercial paper was issued for general corporate purposes and to maintain cash balances at desired levels. In conjunction with the issuance of long-term debt, we also entered into an interest rate swap that effectively fixes the interest rate on the long-term variable-rate debt. See Note 13 to the financial statements for additional details. We used $1.97 billion to repurchase 59 million shares of our common stock in 2011, compared with $2.45 billion used to repurchase 94 million shares in 2010. Dividends paid in 2011 of $644 million, compared with $592 million in 2010, reflect

an increase in the dividend rate partially offset by the lower number of shares outstanding. On September 15, 2011, we announced a 31 percent increase in our quarterly cash dividend rate. The quarterly dividend increased from $0.13 to $0.17 per share, resulting in annual dividend payments of $0.68 per share. Employee exercises of TI stock options are also reflected in cash from financing activities. In 2011, these exercises provided cash proceeds of $690 million compared with $407 million in 2010.

We believe we have the necessary financial resources and operating plans to fund our working capital needs, capital expenditures, dividend payments and other business requirements for at least the next 12 months.

Long-term contractual obligations

	Payments Due by Period				
Contractual obligations	**2012**	**2013/2014**	**2015/2016**	**Thereafter**	**Total**
Long-term debt obligations (a)	$ 375	$ 2,500	$ 1,250	$ 375	**$ 4,500**
Operating lease obligations (b)	102	132	84	118	**436**
Software license obligations (c)	73	66	12	—	**151**
Purchase obligations (d)	215	117	6	10	**348**
Deferred compensation plan (e)	34	27	22	67	**150**
Total (f)	$ 799	$ 2,842	$ 1,374	$ 570	**$ 5,585**

(a) Long-term debt obligations represent principal payments and include amounts classified as current portion of long-term debt. The related interest payments are not included. See Note 13 to the financial statements for additional information.
(b) Includes minimum payments for leased facilities and equipment, as well as purchase of industrial gases under contracts accounted for as an operating lease.
(c) Includes payments under license agreements for electronic design automation software.
(d) Includes contractual arrangements with suppliers where there is a fixed non-cancellable payment schedule or minimum payments due with a reduced delivery schedule. Excluded from the table are cancellable arrangements. However, depending on when certain purchase arrangements may be cancelled, an additional $5 million of cancellation penalties may be required to be paid, which are not reflected in the table.
(e) Includes an estimate of payments under this plan for the liability that existed at December 31, 2011.
(f) The table excludes $210 million of uncertain tax liabilities under ASC 740, as well as any planned, future funding contributions to retirement benefit plans. Amounts associated with uncertain tax liabilities have been excluded because of the difficulty in making reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities. In connection with retirement benefit obligations, we plan to make funding contributions to our retirement benefit plans of about $120 million in 2012, but funding projections beyond 2012 are not practical to estimate due to the rules affecting tax-deductible contributions and the impact of the plans' asset performance, interest rates and potential U.S. and non-U.S. legislation.

Critical accounting policies

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States, we use statistical analyses, estimates and projections that affect the reported amounts and related disclosures and may vary from actual results. We consider the following accounting policies to be both those that are most important to the portrayal of our financial condition and that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a significant effect on our financial statements.

Revenue recognition

Revenue from sales of our products, including sales to our distributors, is recognized upon shipment or delivery, depending upon the terms of the sales order, provided that persuasive evidence of a sales arrangement exists, title and risk of loss have transferred to the customer, the sales amounts are fixed or determinable, and collection of the revenue is reasonably assured. Revenue from sales of our products that are subject to inventory consignment agreements is recognized when the customer or distributor pulls product from consignment inventory that we store at designated locations.

We reduce revenue based on estimates of future credits to be granted to customers. Credits include volume-based incentives, other special pricing arrangements and product returns due to quality issues. We also grant discounts to some distributors for prompt payments. Our estimates of future credits are based on historical experience, analysis of product shipments and contractual arrangements with customers and distributors.

In 2011, about 40 percent of our revenue was generated from sales of our products to distributors. We recognize distributor

revenue net of allowances, which are management's estimates based on analysis of historical data, current economic conditions and contractual terms. These allowances recognize the impact of credits granted to distributors under certain programs common in the semiconductor industry whereby distributors receive certain price adjustments to meet individual competitive opportunities, or are allowed to return or scrap a limited amount of product in accordance with contractual terms agreed upon with the distributor, or receive price protection credits when our standard published prices are lowered from the price the distributor paid for product still in its inventory. Historical claims data are maintained for each of the programs, with differences among geographic regions taken into consideration. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in distributor revenue and inventory levels. Allowances are also adjusted when recent historical data do not represent anticipated future activity. About 30 percent of our distributor revenue is generated from sales of consigned inventory, and we expect this proportion to grow over time. The allowances we record against this revenue are not material.

In addition, we monitor collectability of accounts receivable primarily through review of the accounts receivable aging. When collection is at risk, we assess the impact on amounts recorded for bad debts and, if necessary, will record a charge in the period such determination is made.

Income taxes

In determining net income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax provisions and the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

In the ordinary course of global business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on an estimate of the ultimate resolution of whether, and the extent to which, additional taxes will be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our financial process, we must assess the likelihood that our deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior years that can be used to absorb net operating losses and credit carrybacks, and taxable income in future years. Our judgment regarding future recoverability of our deferred tax assets based on these criteria may change due to various factors, including changes in U.S. or international tax laws and changes in market conditions and their impact on our assessment of taxable income in future periods. These changes, if any, may require material adjustments to the deferred tax assets and an accompanying reduction or increase in net income in the period when such determinations are made.

In addition to the factors described above, the effective tax rate reflected in forward-looking statements is based on then-current tax law. Significant changes during the year in enacted tax law could affect these estimates.

Inventory valuation allowances

Inventory is valued net of allowances for unsalable or obsolete raw materials, work-in-process and finished goods. Allowances are determined quarterly by comparing inventory levels of individual materials and parts to historical usage rates, current backlog and estimated future sales and by analyzing the age of inventory, in order to identify specific components of inventory that are judged unlikely to be sold. Allowances are also calculated quarterly for instances where inventoried costs for individual products are in excess of market prices for those products. In addition to this specific identification process, statistical allowances are calculated for remaining inventory based on historical write-offs of inventory for salability and obsolescence reasons. Actual future write-offs of inventory for salability and obsolescence reasons may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, technology shifts and other factors.

Business combinations

The acquisition method of accounting requires that we recognize the assets acquired and liabilities assumed at their acquisition date fair values. Goodwill is measured as the excess of consideration transferred over the acquisition date net fair values of the assets acquired and the liabilities assumed.

The measurement of the fair values of assets acquired and liabilities assumed requires considerable judgment. Although independent appraisals may be used to assist in the determination of the fair values of certain assets and liabilities, those determinations are usually based on significant estimates provided by management, such as forecasted revenue or profit. In

determining the fair value of intangible assets, an income approach is generally used and may incorporate the use of a discounted cash flow method. In applying the discounted cash flow method, the estimated future cash flows and residual values for each intangible asset are discounted to a present value using a discount rate based on an estimated weighted average cost of capital for the semiconductor industry. These cash flow projections are based on management's estimates of economic and market conditions including revenue growth rates, operating margins, capital expenditures and working capital requirements.

While we use our best estimates and assumptions as part of the process to value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. During the measurement period, which occurs before finalization of the purchase price allocation, changes in assumptions and estimates that result in adjustments to the fair values of assets acquired and liabilities assumed are recorded on a retrospective basis as of the acquisition date, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments will be recorded to our Consolidated statements of income. The measurement period for the National acquisition concluded on December 31, 2011.

Impairment of acquisition-related intangibles and goodwill

We review acquisition-related intangible assets for impairment when certain indicators suggest the carrying amount may not be recoverable. Factors considered include the underperformance of an asset compared with expectations and shortened useful lives due to planned changes in the use of the assets. Recoverability is determined by comparing the carrying amount of the assets to estimated future undiscounted cash flows. If future undiscounted cash flows are less than the carrying amount, an impairment charge would be recognized for the excess of the carrying amount over fair value, determined by utilizing a discounted cash flow technique. Additionally, in the case of intangible assets that will continue to be used in future periods, a shortened useful life may be utilized if appropriate, resulting in accelerated amortization based upon the expected net realizable value of the asset at the date the asset will no longer be utilized.

We review goodwill for impairment annually, or more frequently if certain impairment indicators arise, such as significant changes in business climate, operating performance or competition, or upon the disposition of a significant portion of a reporting unit. A significant amount of judgment is involved in determining if an indicator of impairment has occurred between annual test dates. This impairment review compares the fair value for each reporting unit containing goodwill to its carrying value. Determining the fair value of a reporting unit involves the use of significant estimates and assumptions, including projected future cash flows, discount rates based on weighted average cost of capital and future economic and market conditions. We base our fair-value estimates on assumptions we believe to be reasonable.

Actual cash flow amounts for future periods may differ from estimates used in impairment testing.

Changes in accounting standards

See Changes in Accounting Standards in Note 1 to the financial statements for a discussion of new accounting and reporting standards that have not yet been adopted.

Off-balance sheet arrangements

As of December 31, 2011, we had no significant off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Commitments and contingencies

See Note 14 to the financial statements for a discussion of our commitments and contingencies.

Quantitative and qualitative disclosures about market risk

Foreign exchange risk

The U.S. dollar is the functional currency for financial reporting. We use forward currency exchange contracts to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. For example, at
year-end 2011, we had forward currency exchange contracts outstanding with a notional value of $516 million to hedge net balance sheet exposures (including $253 million to sell Japanese yen, $105 million to sell euros and $39 million to sell British pound sterling). Similar hedging activities existed at year-end 2010.

Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by these forward currency exchange contracts, based on year-end 2011 balances and currency exchange rates, a hypothetical 10 percent plus or minus fluctuation in non-U.S. currency exchange rates would result in a pre-tax currency exchange gain or loss of approximately $3 million.

Interest rate risk

We have the following potential exposure to changes in interest rates: (1) the effect of changes in interest rates on the fair value of our investments in cash equivalents and short-term investments, which could produce a gain or a loss; and (2) the effect of changes in interest rates on the fair value of our debt and an associated interest rate swap.

As of December 31, 2011, a hypothetical 100 basis point increase in interest rates would decrease the fair value of our long-term debt and the associated interest rate swap by $117 million. Because interest rates on our long-term debt are fixed or have been swapped to fixed rates, changes in interest rates would not affect the cash flows associated with long-term debt. A hypothetical 100 basis point increase or decrease in interest rates would not change the fair value of our $1.0 billion of outstanding commercial paper by a material amount because of its short duration.

Equity risk

Long-term investments at year-end 2011 include the following:

- Investments in mutual funds — includes mutual funds that were selected to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The mutual funds hold a variety of debt and equity investments.
- Investments in venture capital funds — includes investments in limited partnerships (accounted for under either the equity or cost method).
- Equity investments — includes non-marketable (non-publicly traded) equity securities.

Investments in mutual funds are stated at fair value. Changes in prices of the mutual fund investments are expected to offset related changes in deferred compensation liabilities such that a 10 percent increase or decrease in the investments' fair values would not materially affect operating results. Non-marketable equity securities and some venture capital funds are stated at cost. Impairments deemed to be other-than-temporary are expensed in net income. Investments in the remaining venture capital funds are stated using the equity method. See Note 9 to the financial statements for details of equity and other long-term investments.

Quarterly financial data
[Millions of dollars, except per-share amounts]

	Quarter			
2011	**1st**	**2nd**	**3rd**	**4th**
Revenue	**$ 3,392**	**$ 3,458**	**$ 3,466**	**$ 3,420**
Gross profit	**1,728**	**1,753**	**1,744**	**1,548**
Operating profit	**908**	**905**	**814**	**365**
Net income	**$ 666**	**$ 672**	**$ 601**	**$ 298**
Earnings per common share:				
Basic earnings per common share	**$ 0.56**	**$ 0.57**	**$ 0.52**	**$ 0.26**
Diluted earnings per common share	**$ 0.55**	**$ 0.56**	**$ 0.51**	**$ 0.25**

	Quarter			
2010	**1st**	**2nd**	**3rd**	**4th**
Revenue	$ 3,205	$ 3,496	$ 3,740	$ 3,525
Gross profit	1,689	1,894	2,039	1,869
Operating profit	950	1,107	1,227	1,230
Net income	$ 658	$ 769	$ 859	$ 942
Earnings per common share:				
Basic earnings per common share	$ 0.53	$ 0.63	$ 0.71	$ 0.79
Diluted earnings per common share	$ 0.52	$ 0.62	$ 0.71	$ 0.78

Included in the results above were the following items:

2011	Quarter 1st	2nd	3rd	4th
Acquisition-related charges (a)	**$ 2**	**$ 13**	**$ 154**	**$ 256**
Recorded as Cost of revenue	$ —	$ —	$ 7	$ 103
Recorded as Acquisition charges	$ 2	$ 13	$ 147	$ 153
Restructuring charges (b)	**$ —**	**$ —**	**$ —**	**112**

2010	Quarter 1st	2nd	3rd	4th
Restructuring charges (b)	$ 10	$ 17	$ 4	$ 1
Gain on divestiture of product line (c)	$ —	$ —	$ —	$ 144
Federal research tax credit benefit (d)	$ —	$ —	$ 4	$ 50

(a) See Note 2 to the financial statements for additional information.
(b) See Note 4 to the financial statements for additional information.
(c) See Note 10 to the financial statements for additional information.
(d) The fourth quarter 2010 amount of $50 million was related to the U.S. federal research tax credit, which was reinstated in December 2010 and retroactive to January of that year, and which expired at the end of 2011.

Common stock prices and dividends

In 2011, TI common stock was listed on the New York Stock Exchange. The table below shows the high and low closing prices of TI common stock as reported by Bloomberg L.P. and the dividends paid per common share for each quarter during the past two years. On December 15, 2011, we announced that we were transferring our stock exchange listing to The NASDAQ Global Select Market, effective January 1, 2012, with TI shares to begin trading as a NASDAQ-listed security on January 3, 2012. TI common stock continues to trade under the TXN symbol and is traded principally on NASDAQ.

		Quarter 1st	2nd	3rd	4th
Stock prices:					
2011	**High**	**$ 36.71**	**$ 35.98**	**$ 33.66**	**$ 32.09**
	Low	**32.25**	**30.96**	**24.34**	**26.08**
2010	High	$ 26.34	$ 27.16	$ 27.14	$ 33.75
	Low	22.50	23.28	23.02	27.21
Dividends paid:					
2011		**$ 0.13**	**$ 0.13**	**$ 0.13**	**$ 0.17**
2010		$ 0.12	$ 0.12	$ 0.12	$ 0.13

Exhibit 21

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
LIST OF SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of the Registrant as of December 31, 2011.

Subsidiary and Name Under Which Business is Done	Where Organized
ActSolar, Inc.	Delaware
Algorex Inc.	California
ASIC II Limited	Hawaii
Benchmarq Microelectronics Corporation of South Korea	Delaware
Burr-Brown International Holding Corporation	Delaware
Butterfly Communications Inc.	Delaware
Electronica NSC de Mexico, S.A. de C.V.	Mexico
Energy Recommerce Inc.	California
innoCOMM Wireless	California
Integrated Circuit Designs, Inc.	Maryland
Luminary Micro Europe Limited	United Kingdom
Luminary Micro India Private Limited	India
Mediamatics, Inc.	California
National Acquisition Sub, Inc.	Delaware
National Semiconductor AB	Sweden
National Semiconductor (Far East) Limited	Hong Kong
National Semiconductor (I.C.) Limited	Israel
National Semiconductor (Maine), Inc.	Delaware
National Semiconductor Asia Pacific Pte. Ltd.	Singapore
National Semiconductor B.V.	Netherlands
National Semiconductor Benelux B.V.	Netherlands
National Semiconductor Canada Inc.	Canada
National Semiconductor Corporation	Delaware
National Semiconductor Finland Oy	Finland
National Semiconductor France S.A.R.L.	France
National Semiconductor Germany AG	Germany
National Semiconductor GmbH	Germany
National Semiconductor Holding Sdn. Bhd.	Malaysia
National Semiconductor Hong Kong Limited	Hong Kong
National Semiconductor Hong Kong Sales Limited	Hong Kong
National Semiconductor International B.V.	Netherlands
National Semiconductor International Hong Kong Limited	Hong Kong
National Semiconductor International, Inc.	Delaware
National Semiconductor Investments II Ltd.	British Virgin Islands
National Semiconductor Investments, Ltd.	British Virgin Islands
National Semiconductor Japan Ltd.	Japan
National Semiconductor Korea Limited	Korea
National Semiconductor Labuan Ltd.	Malaysia
National Semiconductor Malaysia LLC	Delaware
National Semiconductor Management Shanghai Limited	China
National Semiconductor Manufacturer Singapore Pte. Ltd.	Singapore

National Semiconductor Manufacturing Hong Kong Limited	Hong Kong
National Semiconductor (Pte) Limited	Singapore
National Semiconductor Sdn. Bhd.	Malaysia
National Semiconductor Services Malaysia Sdn Bhd	Malaysia
National Semiconductor S.r.l.	Italy
National Semiconductor (Suzhou) Ltd.	China
National Semiconductor Sweden AB	Sweden
National Semiconductor Technology Sdn. Bhd.	Malaysia
National Semiconductor (U.K.) Holdings Limited	United Kingdom
National Semiconductor (U.K.) Limited	United Kingdom
National Semiconductor (U.K.) Pension Trust Company Limited	United Kingdom
National Semicondutores da America do Sul Ltda.	Brazil
National Semicondutores do Brasil Ltda.	Brazil
Natsem India Designs Private Limited	India
Telogy Networks, Inc.	Delaware
Texas Instruments Asia Limited	Delaware
Texas Instruments Austin Incorporated	Delaware
Texas Instruments Australia Pty Limited	Australia
Texas Instruments Belgium S.A.	Belgium
Texas Instruments Business Expansion GmbH	Germany
Texas Instruments Canada Limited	Canada
Texas Instruments China Incorporated	Delaware
Texas Instruments China Trading Limited	Hong Kong
Texas Instruments (Cork) Limited	Ireland
Texas Instruments CZ, s.r.o.	Czech Republic
Texas Instruments de Mexico, S. de R.L. de C.V.	Mexico
Texas Instruments Denmark A/S	Denmark
Texas Instruments Deutschland GmbH	Germany
Texas Instruments Espana, S.A.	Spain
Texas Instruments Estonia Oü	Estonia
Texas Instruments Foreign Sales Corporation	Barbados
Texas Instruments France S.A.	France
Texas Instruments Gesellschaft m.b.H.	Austria
Texas Instruments Holland B.V.	Netherlands
Texas Instruments Hong Kong Limited	Hong Kong
Texas Instruments (India) Private Limited	India
Texas Instruments International Capital Corporation	Delaware
Texas Instruments International Holding Company S.à r.l.	Luxembourg
Texas Instruments International Management Company S.à r.l.	Luxembourg
Texas Instruments International Trade Corporation	Delaware
Texas Instruments International (U.S.A.) Inc.	Delaware
Texas Instruments (Ireland) Limited	Ireland
Texas Instruments Israel Ltd.	Israel
Texas Instruments Israel Medical (2009) Ltd.	Israel
Texas Instruments Israel Trading (2003) Ltd.	Israel
Texas Instruments Japan Limited	Japan
Texas Instruments Japan Semiconductor Limited	Japan
Texas Instruments Korea Limited	Korea
Texas Instruments Lehigh Valley Incorporated	Delaware
Texas Instruments Limited	United Kingdom

Texas Instruments Low Power Wireless San Diego LLC	Delaware
Texas Instruments Malaysia Sdn. Bhd.	Malaysia
Texas Instruments Marketing & Finance GmbH & Co. KG	Germany
Texas Instruments Melbourne Incorporated	Florida
Texas Instruments Northern Virginia Incorporated	Delaware
Texas Instruments Norway AS	Norway
Texas Instruments Oy	Finland
Texas Instruments Palo Alto Incorporated	California
Texas Instruments (Philippines) LLC	Delaware
Texas Instruments Richardson LLC	Delaware
Texas Instruments Santa Rosa Incorporated	California
Texas Instruments Semiconductor Manufacturing (Chengdu) Co., Ltd.	China
Texas Instruments Semiconductor Technologies (Shanghai) Co., Ltd.	China
Texas Instruments Semiconductores e Tecnologias Ltda.	Brazil
Texas Instruments (Shanghai) Co., Ltd.	China
Texas Instruments Singapore (Pte) Limited	Singapore
Texas Instruments Sunnyvale Incorporated	Delaware
Texas Instruments Taiwan Limited	Taiwan
Texas Instruments Tucson Corporation	Delaware
TI Europe Limited	United Kingdom
TI (Philippines), Inc.	Philippines
TI Verwaltungs GmbH	Germany
Unitrode Corporation	Maryland
Unitrode-Maine	Maine

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Annual Report on Form 10-K of Texas Instruments Incorporated of our reports dated February 24, 2012, with respect to the consolidated financial statements of Texas Instruments Incorporated and the effectiveness of internal control over financial reporting of Texas Instruments Incorporated, included in the 2011 Annual Report to Stockholders of Texas Instruments Incorporated.

We also consent to the incorporation by reference in the following registration statements, and in the related prospectuses thereto, of our reports dated February 24, 2012, with respect to the consolidated financial statements of Texas Instruments Incorporated, and the effectiveness of internal control over financial reporting of Texas Instruments Incorporated, incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 2011: Registration Statements (Forms S-8) No. 333-158933, No. 333-158934, No. 33-42172, No. 33-54615, No. 33-61154, No. 333-07127 (as amended), No. 333-41913, No. 333-41919, No. 333-31321 (as amended), No. 333-31323, No. 333-48389, No. 333-44662, No. 333-107759, No. 333-107760, No. 333-107761, No. 333-127021, and No. 333-177235; Registration Statement (Form S-3) No. 333-165045; and Registration Statements (Forms S-4) No. 333-89433 (as amended), No. 333-87199, No. 333-80157 (as amended), and No. 333-41030 (as amended).

/S/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

Dallas, Texas
February 24, 2012

Exhibit 31(a)

CERTIFICATIONS

I, Richard K. Templeton, certify that:

1. I have reviewed this report on Form 10-K of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

Exhibit 31(b)

CERTIFICATIONS

I, Kevin P. March, certify that:

1. I have reviewed this report on Form 10-K of Texas Instruments Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2012

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer

Exhibit 32(a)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Richard K. Templeton, Chairman, President and Chief Executive Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2012

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

Exhibit 32(b)

Certification of Periodic Report
Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Kevin P. March, Senior Vice President and Chief Financial Officer of Texas Instruments Incorporated (the "Company"), hereby certifies that, to his knowledge:

(i) the Annual Report on Form 10-K of the Company for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 24, 2012

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer