

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 2014
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
(State of Incorporation)

75-0289970
(I.R.S. Employer Identification No.)

12500 TI Boulevard, Dallas, Texas
(Address of Principal Executive Offices)

75243
(Zip Code)

Registrant's Telephone Number, Including Area Code: 214-479-3773
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 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

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.

Large accelerated filer 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 Act). Yes No

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately \$50,978,062,488 as of June 30, 2014.

1,047,142,301 (Number of shares of common stock outstanding as of February 17, 2015)

Part III hereof incorporates information by reference to the Registrant's proxy statement for the 2015 annual meeting of stockholders.

PART I

ITEM 1. Business.

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 35 countries. We have two reportable segments: Analog and Embedded Processing. We report the results of our remaining business activities in 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. In 2014, we generated \$13.05 billion of revenue.

Product information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors, generally known as “chips,” combine multiple transistors on a single piece of material to form a complete electronic circuit. We have tens of thousands of products 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 catalog and application-specific standard semiconductor products, both of which we market to multiple customers. Catalog products are designed for use by many customers and/or many applications and are sold through both distribution and direct channels. The life cycles of catalog products generally span multiple years, with some products continuing to sell for decades after their initial release. Application-specific standard products (ASSPs) are designed for use by a smaller number of customers and are targeted to a specific application. The life cycles of ASSPs are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months, although some can be used across multiple generations of customers’ products. The vast majority of our revenue is derived from products that are differentiated from competitors’ products.

Our segments represent groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels. Our segments also reflect how management allocates resources and measures results. Additional information regarding each segment follows.

Analog

Analog generated \$8.1 billion of revenue in 2014. 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 embedded processors. Analog semiconductors also are used to manage power in every electronic device, whether plugged into a wall or running off a battery. Our Analog products are used in many markets, particularly personal electronics and industrial.

Sales of our Analog products generated 62 percent of our revenue in 2014. According to external sources, the market for analog semiconductors was \$44 billion in 2014. Our Analog segment’s revenue in 2014 was 18 percent of this fragmented market, the leading position. We believe we are well positioned to increase our market share over time.

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

HVAL products

These include high-volume integrated analog products for specific applications and high-volume catalog products. HVAL products support applications like automotive safety devices, touchscreen controllers, low-voltage motor drivers and integrated motor controllers.

Power products

These include both catalog products and ASSPs that help customers manage power in electronic systems. Our broad portfolio of Power products is designed to enhance the efficiency of powered devices using battery management solutions, portable power conversion devices, power supply controls and point-of-load products.

HPA products

These include catalog analog products that we market to many different customers who use them in manufacturing a wide range of products. HPA products include high-speed data converters, amplifiers, sensors, high reliability products, interface products and precision analog products that are typically used in systems that require high performance. HPA products generally have long life cycles, often more than 10 years.

SVA products

These include a broad portfolio of industrial, high-voltage power management, data converter, interface and operational amplifier catalog products used in manufacturing a wide range of electronic systems. SVA products support applications like video and data interface products, electrical arc/fault detection systems, and mobile lighting and display systems. SVA products generally have long life cycles, often more than 10 years. SVA consists primarily of products that we acquired through our purchase of National Semiconductor Corporation (National) in 2011.

Embedded Processing

Embedded Processing generated \$2.7 billion of revenue in 2014. Embedded Processing products are the “brains” of many electronic devices. Embedded processors are designed to handle specific tasks and can be optimized for various combinations of performance, power and cost, depending on the application. The devices vary from simple, low-cost products used in electric toothbrushes to highly specialized, complex devices used in communications infrastructure equipment. Our Embedded Processing products are used in many markets, particularly industrial and automotive.

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 many customers prefer to re-use software from one product generation to the next.

Sales of Embedded Processing products generated 21 percent of our revenue in 2014. According to external sources, the market for embedded processors was \$18 billion in 2014. We held the number two position, which represented 15 percent of this fragmented market. We believe we are well positioned to increase our market share over time.

Our Embedded Processing segment includes the following major product lines: Processor, Microcontrollers and Connectivity.

Processor products

These include digital signal processors (DSPs) and applications processors. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Applications processors are typically tailored for a specific class of applications such as communications infrastructure and automotive (infotainment and advanced driver assistance systems). They are also sold into broad industrial applications.

Microcontroller products

These include self-contained systems with a processor core, memory and peripherals that are designed to control a set of specific tasks for electronic equipment. Microcontrollers tend to have minimal requirements for memory and program length, with no operating system and low software complexity. Analog components that control or interface with sensors and other systems are often integrated into microcontrollers.

Connectivity products

These include products that enable electronic devices to seamlessly connect and transfer data, and the requirements for speed, data capability, distance, power and security vary depending on the application. Our Connectivity products support many wireless technologies to meet these requirements, including low-power wireless network standards like Zigbee® and other technologies like Bluetooth®, WiFi and GPS. Our Connectivity products are usually designed into customer devices alongside our processor and microcontroller products, enabling data to be collected, transmitted and acted upon.

Other

Other generated \$2.2 billion of revenue in 2014 and includes:

- Revenue from our smaller product lines, such as DLP® products (primarily used in projectors to create high-definition images), certain custom semiconductors known as application-specific integrated circuits (ASICs) and calculators.
- Revenue from our baseband products and from our OMAP™ applications processors and connectivity products sold into smartphones and consumer tablets. Our exit from these “legacy wireless products” was completed in 2013.
- Royalties received for our patented technology that we license to other electronics companies.

We also include in Other items that are not used in evaluating the results of or in allocating resources to our segments. These include acquisition-related charges; restructuring charges; and certain corporate-level items, such as litigation expenses, environmental costs, insurance settlements, and gains and losses from other activities, including asset dispositions.

Financial information with respect to our segments and our operations outside the United States is contained in Note 1 to the financial statements, which is included in Item 8, “Financial Statements and Supplementary Data.” Risks attendant to our foreign operations are described in Item 1A, “Risk Factors.”

Markets for our products

The table below lists the major markets that used our products in 2014 and the estimated percentage of our 2014 revenue that the market represented. The chart also lists, in decreasing order of our revenue, the sectors within each market.

Market	Sectors
Industrial (31% of TI revenue)	<ul style="list-style-type: none"> Factory automation and control Medical/healthcare/fitness Building automation Smart grid and energy Test and measurement Motor drives Display Space/avionics/defense Appliance Other power delivery Electronic point of sale Lighting Industrial transportation Other (education, toys, musical instruments, etc.) <p><i>No single sector in this market accounted for more than 4% of TI revenue.</i></p>
Automotive (13% of TI revenue)	<ul style="list-style-type: none"> Infotainment and cluster Passive safety Body Advanced driver assistance systems (ADAS) Hybrid/electric vehicle and powertrain <p><i>No single sector in this market accounted for more than 5% of TI revenue.</i></p>
Personal electronics (29% of TI revenue)	<ul style="list-style-type: none"> Mobile phones Personal and notebook computers TV/set-top box/audio Storage Printers and other peripherals Tablets Wearables (non-medical) Gaming <p><i>No single sector in this market accounted for more than 9% of TI revenue.</i></p>
Communications equipment (17% of TI revenue)	<ul style="list-style-type: none"> Wireless infrastructure Telecom infrastructure Enterprise switching Residential gateway <p><i>No single sector in this market accounted for more than 10% of TI revenue.</i></p>
Enterprise systems (6% of TI revenue)	<ul style="list-style-type: none"> Projectors Servers Multi-function printers High-performance computing Thin client <p><i>No single sector in this market accounted for more than 4% of TI revenue.</i></p>
Other (calculators, royalties and other) (4% of TI revenue)	

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.

Market cycle

The “semiconductor cycle” refers to the ebb and flow of supply and demand. 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. These are typically referred to as upturns and downturns in the semiconductor cycle. The semiconductor cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

We employ several strategies to dampen the effect of the semiconductor cycle on TI. We acquire our facilities and equipment ahead of demand, which usually allows us to acquire this capacity at lower costs. We focus our resources on our Analog and Embedded Processing segments, which serve diverse markets and diverse customers. This diversity reduces our dependence on the performance of a single market or small group of customers. Additionally, we utilize consignment inventory programs with our customers and distributors, which gives us real-time insight into end-market demand, allowing us to better manage our factory loadings.

Seasonality

Our revenue is subject to some seasonal variation. Our semiconductor revenue tends to be weaker in the first and fourth quarters when compared to the second and third quarters. 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

The analog and embedded processing markets are highly fragmented. As a result, we face significant global competition from dozens of 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, product development execution, 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. 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, integration and power characteristics.

Manufacturing

Semiconductor manufacturing begins with a sequence of photolithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is packaged and tested. The entire process takes place in highly specialized facilities and requires an average of 12 weeks, with most products completing within 8 to 16 weeks.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by technology. Our Analog products and most of our Embedded Processing products can be manufactured using mature and stable, and therefore less expensive, equipment than is needed for manufacturing advanced logic products, such as some of our processor products.

We own and operate semiconductor manufacturing facilities in North America, Asia, Japan and Europe. These include both wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. We own much of our manufacturing capacity; therefore, a significant portion of our operating cost is fixed. When factory loadings decrease, our fixed costs are spread over reduced output and, absent other circumstances,

our profit margins decrease. Conversely, as factory loadings increase, our fixed costs are spread over increased output and, absent other circumstances, our profit margins increase. However, our operating focus is more on maximizing long-term free cash flow than minimizing short-term variations in profit margins caused by factory loadings. Free cash flow is cash flow from operations less capital expenditures.

To this end, we seek to maximize long-term free cash flow by keeping capital expenditures low through opportunistic purchases of facilities and equipment ahead of demand. For example, in 2013, we purchased an assembly/test facility in Chengdu, China. In 2014, we initiated plans to adapt existing facilities to manufacture more products, including new products, using 300-millimeter wafers, our most cost-effective manufacturing process. These activities may have near-term effects on our profit margins, but we believe they will result in long-term benefits to free cash flow.

We expect to maintain sufficient internal manufacturing capacity to meet the vast majority of our production needs. To supplement our manufacturing capacity and maximize our responsiveness to customer demand and return on capital, we utilize the capacity of outside suppliers, commonly known as foundries, and subcontractors. In 2014, we sourced about 20 percent of our total wafers from external foundries and about 40 percent of our assembly/test services from subcontractors.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. We carry proportionally more inventory of products with long life cycles and a broad customer base. Additionally, we sometimes maintain 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 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

We estimate that we sell our products to more than 100,000 customers. Our customer base is diverse, with one-third of our revenue deriving from customers outside our top 100. In addition, no single customer accounts for 10 percent or more of our revenue. Most of our customers purchase our products through distributors.

Sales and distribution

We market and sell our semiconductor products through a direct sales force and distributors. We have sales or marketing offices in 34 countries. About 60 percent of our revenue comes through distribution channels. 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 TI-consigned and distributor-owned inventory. Over time, we expect this mix will continue to shift more toward consignment. About 60 percent of our distributor revenue is generated from sales of consigned inventory.

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. In September 2011, we acquired National Semiconductor Corporation.

Backlog

We define backlog as of a particular date as purchase orders with a customer-requested delivery date within a specified length of time. Our backlog at any particular date may not be indicative of revenue for any future period. As customer requirements and industry conditions change, orders may be 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. Further, our consignment programs do not result in backlog because the order occurs at the same time as delivery, i.e., when the customer pulls the product from consigned inventory. Our backlog of orders was \$0.94 billion at December 31, 2014, and \$1.06 billion at December 31, 2013.

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 participate in the same initiatives. Participation in these initiatives may require us to license certain of our patents to other companies on reasonable and non-discriminatory terms.

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 DLP®.

Research and development

Our R&D expense was \$1.36 billion in 2014, compared with \$1.52 billion in 2013 and \$1.88 billion in 2012. Our primary areas of R&D investment are Analog and Embedded Processing products. Our R&D has been declining primarily as a result of our decision to wind down investments in legacy wireless products. This wind-down is now complete.

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 industry consortia, and we collaborate with our foundry suppliers on semiconductor manufacturing technology.

Executive officers of the Registrant

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

Name	Age	Position
Stephen A. Anderson	53	Senior Vice President
Brian T. Crutcher	42	Executive Vice President
R. Gregory Delagi	52	Senior Vice President
Joseph F. Hubach*	57	Senior Vice President, Secretary and General Counsel
Kevin P. March	57	Senior Vice President and Chief Financial Officer
Kevin J. Ritchie	58	Senior Vice President
Richard K. Templeton	56	Director; Chairman of the Board; President and Chief Executive Officer
Cynthia Hoff Trochu*	51	Elected to become Senior Vice President, Secretary and General Counsel
Teresa L. West	54	Senior Vice President
Darla H. Whitaker	49	Senior Vice President
Bing Xie	47	Senior Vice President

*Effective August 3, 2015, Mr. Hubach will retire from the company, and Ms. Trochu will succeed him.

The term of office of these officers is from the date of their election until their successor shall have been elected and qualified. All have been employees of the company for more than five years. Mses. West and Whitaker and Messrs. Anderson, Delagi,

Hubach, March, Ritchie and Templeton have served as executive officers of the company for more than five years. Mr. Crutcher became an executive officer of the company in 2010. Mr. Xie became an executive officer of the company in 2015.

Employees

At December 31, 2014, we had 31,003 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 Finance 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.

Cyclical 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. Our results of 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 factory loadings, and can adversely affect profit margins as a result.

The markets we serve are 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 and a decline in average selling prices of our products. Moreover, expenditures for technology and product development are generally made before the commercial viability for such developments can be assured, so we may not be able to successfully develop and market these new products. 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 after they are completed. Further, the products we do

develop and market might not be well-received by customers, and we might not 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. For example, the China market is highly competitive, and both international and domestic competitors are aggressively seeking to increase their market share. Additionally, we may face increased competition as a result of China's adoption of policies designed to promote its domestic semiconductor industry. 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 markets or sectors 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 markets and sectors within those markets, but we generate a significant amount of revenue from sales to customers in the personal electronics and communications equipment markets. Decline in one or more sectors within these markets could have a material adverse effect on the demand for our products and our results of operations and financial condition.

Our global operations subject us to risks associated with international political, economic or other conditions.

We have facilities in 35 countries. About 85 percent of our revenue comes from shipments to locations outside the United States; in particular, shipments of products into China typically represent a large portion of our revenue. Operating internationally exposes us to political and economic conditions, security risks, health conditions and possible disruptions in transportation, communications and information technology 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, data and design facilities and other operations in locations subject to natural occurrences such as health epidemics, severe weather and geological events that could disrupt operations. In addition, our suppliers and customers have similar facilities and 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.

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.

Our results of operations could be adversely affected by our distributors' promotion of competing product lines or our distributors' financial performance.

In 2014, about 60 percent of our revenue was generated from sales of our products through distributors. Our distributors carry competing product lines, and our sales could be affected if our distributors promote competing products over our products. Moreover, our results of operations could be affected if our distributors suffer financial difficulties that result in their inability to pay amounts owed to us.

Our results of operations and financial condition could be adversely affected if a customer or a distributor suffers a loss with respect to our inventory.

We have consignment inventory programs in place for some of our largest customers and distributors. If a customer or distributor were to experience a loss with respect to TI-consigned inventory, our results of operations and financial condition may be adversely affected if we do not recover the full value of the lost inventory from the customer, distributor or insurer, or if our recovery is delayed.

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, and those of some of our customers and suppliers, require that certain key raw materials, natural resources and utilities be available. Limited or delayed access to and high costs of these items could adversely affect our results of operations. Our products contain materials that are subject to conflict minerals reporting requirements. Our relationships with customers and suppliers may be adversely affected if we are unable to describe our products as conflict-free. Additionally, our costs may increase if customers demand that we change the sourcing of materials we cannot identify as conflict-free.

Our 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 products. 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 35 countries 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.

We have not made a provision for U.S. income tax on the portion of our undistributed earnings of our non-U.S. subsidiaries that is considered permanently reinvested outside the United States. If in the future we repatriate any of these foreign earnings, we might incur incremental U.S. income tax, which could affect our results of operations.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, environmental, safety and health; exports and imports; bribery and corruption; tax; data privacy; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules 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.

Some of these complex laws, rules and regulations – for example, those related to environmental, safety and health requirements – may particularly affect us in the jurisdictions in which we manufacture products, especially 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, service our debt obligations and meet our cash return objectives 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 and our reputation could be affected by warranty claims, product recalls, product liability claims, or legal proceedings.

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 or settlements. 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, product recalls or legal proceedings may adversely affect our results of operations and financial condition and our reputation.

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 returned to shareholders, 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 implement business and organizational changes could affect our business plans and results of operations.

From time to time, we undertake business and organizational changes, including acquisitions, divestitures and restructuring actions, to support or carry out our strategic objectives. Our failure to successfully implement these changes could adversely affect our business plans and operating results. For example, we may not realize the expected benefits of an acquisition if we are unable to timely and successfully integrate acquired operations, product lines and technology, and our pre-acquisition due diligence may not identify all possible issues and risks that might arise with respect to an acquisition. Further, we may not achieve or sustain the expected growth or cost savings benefits of business and organizational changes, and restructuring charges could differ materially in amount and timing from our expectations.

Our operating results and our reputation could be adversely affected by breaches of our information technology systems or those of our customers or suppliers.

Breaches of our information technology systems or those of our customers or suppliers could be caused by computer viruses, unauthorized access, sabotage, vandalism or terrorism. These breaches could compromise our information technology networks or those of our customers or suppliers and could result in unauthorized release of our, our customers' or our suppliers' confidential or proprietary information, cause a disruption to our manufacturing and other operations, result in release of employee personal data, or cause us to incur increased information technology protection costs, any of which could adversely affect our operating results and our reputation.

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.

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

⁽¹⁾ Leased.

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

Our facilities in the United States contained approximately 15.1 million square feet at December 31, 2014, of which approximately 0.8 million square feet were leased. Our facilities outside the United States contained approximately 10.3 million square feet at December 31, 2014, of which approximately 1.7 million square feet were leased.

At the end of 2014, 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 five 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 that arise in the ordinary course of our business. 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 concerning the number of stockholders of record at December 31, 2014, is contained in Item 6, “Selected Financial Data.”

Common stock prices and dividends

TI common stock is listed on The NASDAQ Global Select Market. 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 in each quarter during the past two years.

		Quarter			
		1st	2nd	3rd	4th
Stock prices:					
2014	High	\$ 47.16	\$ 48.47	\$ 49.29	\$ 55.62
	Low	40.89	44.89	45.67	41.93
2013	High	35.62	37.09	40.85	43.91
	Low	31.55	33.92	35.05	39.24
Dividends paid:					
2014		\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.34
2013		0.21	0.28	0.28	0.30

Issuer purchases of equity securities

The following table contains information regarding our purchases of our common stock during the fourth quarter of 2014.

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, 2014 through October 31, 2014	11,317,506	\$ 45.62	11,317,506	\$ 3.35 billion
November 1, 2014 through November 30, 2014	2,820,815	50.94	2,820,815	3.21 billion
December 1, 2014 through December 31, 2014	695,093	53.71	695,093	3.17 billion
Total	<u><u>14,833,414 ⁽²⁾</u></u>	<u><u>\$ 47.01</u></u>	<u><u>14,833,414 ⁽²⁾</u></u>	<u><u>\$ 3.17 billion ⁽³⁾</u></u>

⁽¹⁾ All purchases during the quarter were made under the authorization from our board of directors to purchase up to \$5.0 billion of additional shares of TI common stock announced on February 21, 2013.

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

⁽³⁾ As of December 31, 2014, this amount consisted of the remaining portion of the \$5.0 billion authorized in February 2013. No expiration date has been specified for this authorization.

ITEM 6. Selected Financial Data.

(Millions of dollars, except share and per-share amounts)	For Years Ended December 31,				
	2014	2013	2012	2011	2010
Cash flow data					
Cash flows from operating activities	\$ 3,892	\$ 3,384	\$ 3,414	\$ 3,256	\$ 3,820
Capital expenditures	385	412	495	816	1,199
Free cash flow (a)	3,507	2,972	2,919	2,440	2,621
Dividends paid	1,323	1,175	819	644	592
Stock repurchases	2,831	2,868	1,800	1,973	2,454
Income statement data					
Revenue by segment:					
Analog	8,104	7,194	6,998	6,375	5,979
Embedded Processing	2,740	2,450	2,257	2,381	2,359
Other	2,201	2,561	3,570	4,979	5,628
Revenue	13,045	12,205	12,825	13,735	13,966
Gross profit	7,427	6,364	6,368	6,772	7,492
Operating expenses (R&D and SG&A)	3,201	3,380	3,681	3,353	3,089
Acquisition charges	330	341	450	315	—
Restructuring charges/other	(51)	(189)	264	112	(111)
Operating profit	3,947	2,832	1,973	2,992	4,514
Net income	\$ 2,821	\$ 2,162	\$ 1,759	\$ 2,236	\$ 3,228

As a result of accounting rule ASC 260, which requires a portion of Net income to be allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents, diluted earnings per share (EPS) is calculated using the following:

Net income	\$ 2,821	\$ 2,162	\$ 1,759	\$ 2,236	\$ 3,228
Income allocated to RSUs	(43)	(36)	(31)	(34)	(44)
Income allocated to common shares for diluted EPS	\$ 2,778	\$ 2,126	\$ 1,728	\$ 2,202	\$ 3,184
Average diluted shares outstanding, in millions	1,080	1,113	1,146	1,171	1,213
Diluted earnings per common share	\$ 2.57	\$ 1.91	\$ 1.51	\$ 1.88	\$ 2.62
Cash dividends declared per common share	\$ 1.24	\$ 1.07	\$ 0.72	\$ 0.56	\$ 0.49

(a) Free cash flow is a non-GAAP measure derived by subtracting Capital expenditures from Cash flows from operating activities.

(Millions of dollars, except Other data items)	December 31,				
	2014	2013	2012	2011	2010
Balance sheet data					
Cash, cash equivalents and short-term investments	\$ 3,541	\$ 3,829	\$ 3,965	\$ 2,935	\$ 3,072
Total assets	17,722	18,938	20,021	20,497	13,401
Current portion of long-term debt and commercial paper borrowings	1,001	1,000	1,500	1,381	—
Long-term debt	3,641	4,158	4,186	4,211	—
Other data					
Number of:					
Employees	31,003	32,209	34,151	34,759	28,412
Stockholders of record	16,361	17,213	18,128	19,733	20,525

See Notes to the financial statements and Management's discussion and analysis of financial condition and results of operations.

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

Overview

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. Our business model is carefully constructed around several advantages that are unique to TI:

- *Industry’s broadest portfolio of differentiated analog and embedded processing semiconductors.* Our customers’ design engineers need at least one, and most times multiple, chips for their systems. The breadth of our portfolio means we can solve more of these needs than can our competitors, which gives us access to more customers and the opportunity to generate more revenue per system. We invest more than \$1 billion each year to develop new products for our portfolio.
- *A strong foundation of manufacturing technology and low-cost production.* We invest in manufacturing technologies that differentiate the features of our semiconductors, and we do most of our own production in-house as opposed to outsourcing it. This ability to directly control our manufacturing helps ensure a consistent supply of products for our customers. We produce billions of semiconductors each year on a mixture of 150-, 200- and 300-millimeter wafers, and we are able to keep costs low for manufacturing facilities and equipment because our analog and much of our embedded processing semiconductors can be made using mature assets that we acquire ahead of demand when their prices are most attractive. In 2014 we produced approximately 25 percent of our Analog semiconductors on 300-millimeter wafers, the industry’s largest wafers, which have a 40 percent cost advantage per unpackaged chip over 200-millimeter wafers. The majority of our future Analog growth will be produced on 300-millimeter wafers, which will be meaningful to the growth of our margins and cash flow over the long term.
- *Industry’s largest market channels.* Our global sales force is larger than those of our competitors, and the breadth of our portfolio attracts tens of millions of visits to our web site each year where customers often begin their initial product searches and design-in journey. These capabilities combine to provide us unique access to more than 100,000 customers.
- *Diversity and longevity in our products and in the markets we serve.* Together, the advantages above result in diverse and long-lived positions that deliver high terminal value to our shareholders. Because of the breadth of our portfolio we are not dependent on any single product, and because of the breadth of our markets we are not dependent on any single application or customer. Some of our products generate revenue for decades, which strengthens the return on our investments.

These advantages have resulted in consistent share gains and free cash flow growth, and they put us in a unique class of companies with the ability to grow, generate cash, and return that cash to shareholders.

Management’s discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the financial statements and the related notes that appear elsewhere in this document. In the following discussion of our results of operations:

- All dollar amounts in the tables are stated in millions of U.S. dollars, except per-share amounts.
- When we discuss our results:
 - Unless otherwise noted, changes in our revenue are attributable to changes in customer demand, which are evidenced by fluctuations in shipment volumes.
 - New products tend not to have a significant impact on our revenue in any given period because we sell such a large number of products.
 - From time to time, our revenue and gross profit are affected by changes in demand for higher-priced or lower-priced products, which we refer to as changes in the “mix” of products shipped.
 - Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. When factory loadings decrease, our fixed costs are spread over reduced output and, absent other circumstances, our profit margins decrease. Conversely, as factory loadings increase, our fixed costs are spread over increased output and, absent other circumstances, our profit margins increase. Increases and decreases in factory loadings tend to correspond to increases and decreases in demand.

- Our segments represent groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels, and how management allocates resources and measures results. See Note 1 to the financial statements for more information regarding our segments.
- Our exit from legacy wireless products and the elimination (effective January 1, 2013) of the Wireless segment resulted in changes to our corporate-level expense allocations, which negatively affected Analog and Embedded Processing profitability in the year ended December 31, 2013 and, to a less significant extent, in 2014. We allocate our corporate-level expenses, which are largely fixed, among our product lines in proportion to the operating expenses directly generated by them. Legacy wireless products generated lower operating expenses in 2014 and 2013 than in 2012 because we stopped investing in them. The corporate-level expenses allocated to those products were, therefore, proportionately lower, and the corporate-level expenses allocated to the remaining product lines were proportionately higher. This allocation change affects the profitability of each of our segments, but does not impact operating expense or profitability trends at the consolidated level.

Results of operations

We continued to perform well in 2014, reflecting our focus on Analog and Embedded Processing semiconductors. We believe these products serve highly diverse markets with thousands of applications and have dependable long-term growth opportunities. In 2014, Analog revenue grew 13 percent and Embedded Processing revenue grew 12 percent. These two segments represented 83 percent of TI revenue for the year, up from 79 percent in 2013. Gross margin of 56.9 percent for the year reflects the diversity and longevity of our product portfolio, as well as the efficiency of our manufacturing strategy. Our business model focused on Analog and Embedded Processing allows us to generate strong cash flow from operations. In 2014, free cash flow was 27 percent of revenue, up 3 percentage points from a year ago. During the year, we returned \$4.2 billion of cash to investors through a combination of stock repurchases and dividends.

Free cash flow is a non-GAAP financial measure. For a reconciliation to GAAP and an explanation of the reason for providing this non-GAAP measure, see the Non-GAAP financial information section after the Liquidity and capital resources section.

Details of financial results – 2014 compared with 2013

Revenue was \$13.05 billion, up \$840 million, or 7 percent, from 2013 due to higher revenue from Analog and Embedded Processing. These increases more than offset lower revenue from legacy wireless products.

Gross profit was \$7.43 billion, an increase of \$1.06 billion, or 17 percent, from 2013 primarily due to higher revenue and, to a lesser extent, a more favorable mix of products shipped. Gross profit margin was 56.9 percent of revenue compared with 52.1 percent in 2013.

Operating expenses were \$1.36 billion for R&D and \$1.84 billion for SG&A. R&D expense decreased \$164 million, or 11 percent, from 2013 primarily due to savings from ongoing efforts across the company to align costs with growth opportunities, including the previously announced wind-down of our legacy wireless products and restructuring actions in Embedded Processing and Japan. R&D expense as a percent of revenue was 10.4 percent compared with 12.5 percent in 2013. SG&A expense was about even, as higher variable compensation costs were offset by savings from our cost alignment efforts. SG&A expense as a percent of revenue was 14.1 percent compared with 15.2 percent in 2013.

Acquisition charges were related to our 2011 acquisition of National Semiconductor and were \$330 million compared with \$341 million in 2013. The charges were primarily from the amortization of intangible assets. See Note 3 to the financial statements for detailed information.

Restructuring charges/other was a net credit of \$51 million, which included gains on sales of assets of \$75 million, partially offset by restructuring charges and other expenses of \$24 million. This compared with a net credit of \$189 million in 2013, reflecting a \$315 million gain from our transfer of wireless connectivity technology to a customer, partially offset by restructuring charges of \$126 million. These amounts are included in Other for segment reporting purposes. For details on the types of costs incurred and the amounts associated with each restructuring action, see Note 4 to the financial statements.

Operating profit was \$3.95 billion, or 30.3 percent of revenue, compared with \$2.83 billion, or 23.2 percent, in 2013.

The income tax provision was \$1.05 billion compared with \$592 million in 2013. The increase in the total tax provision was due to higher income before income taxes and, to a lesser extent, the effect of the retroactive reinstatement of the federal research tax credit for 2012 in 2013. Our annual effective tax rates were 27 percent in 2014 and 24 percent in 2013. The federal research tax credit included in the annual effective tax rates for 2014 and 2013 expired at the end of 2014. See Note 7 to the financial statements for a reconciliation of the income tax provision to the statutory federal tax.

Our annual effective tax rate benefits from lower rates (compared to the U.S. statutory rate) applicable to our operations in many of the jurisdictions in which we operate and from U.S. tax benefits. These lower non-U.S. tax rates are generally statutory in nature, without expiration and available to companies that operate in those taxing jurisdictions. We benefit to a lesser extent from tax holidays in non-U.S. jurisdictions, in particular, Malaysia and the Philippines. Pre-tax income related to assembly/test manufacturing facilities in those jurisdictions is included in the non-U.S. effective tax rates reconciling item.

Net income was \$2.82 billion, an increase of \$659 million, or 30 percent, from 2013. EPS was \$2.57 compared with \$1.91 in 2013. EPS benefited \$0.07 from 2013 due to a lower number of average shares outstanding as a result of our stock repurchase program.

Segment results – 2014 compared with 2013

Analog (includes High Volume Analog & Logic, Power Management, High Performance Analog and Silicon Valley Analog product lines)

	2014	2013	Change
Revenue	\$ 8,104	\$ 7,194	13%
Operating profit	2,786	1,859	50%
Operating profit % of revenue	34.4%	25.8%	

Analog revenue increased in all products lines. Revenue from Power grew the most, followed by revenue from, in decreasing order, HPA, HVAL and SVA. Operating profit increased primarily due to higher revenue and associated gross profit.

Embedded Processing (includes Processor, Microcontrollers and Connectivity product lines)

	2014	2013	Change
Revenue	\$ 2,740	\$ 2,450	12%
Operating profit	384	185	108%
Operating profit % of revenue	14.0%	7.6%	

Embedded Processing revenue increased primarily due to Microcontrollers and Processor, which contributed about equally to the increase. Connectivity increased to a lesser extent. Revenue from Processor increased as a result of a more favorable mix of products shipped. Operating profit increased primarily due to higher revenue and associated gross profit.

Other (includes DLP products, custom ASIC products, calculators, royalties and legacy wireless products)

	2014	2013	Change
Revenue	\$ 2,201	\$ 2,561	-14%
Operating profit*	777	788	-1%
Operating profit % of revenue	35.3%	30.8%	

*Includes Acquisition charges and Restructuring charges/other

Other revenue decreased due to legacy wireless products. Operating profit was about even as reductions in operating expenses were offset by changes in Restructuring charges/other. See Note 4 to the financial statements for information regarding Restructuring charges/other.

Prior results of operations

Our performance in 2013 was strong, reflecting our increased focus on Analog and Embedded Processing. During 2013, 79 percent of our revenue came from Analog and Embedded Processing, with Analog revenue increasing 3 percent from 2012 and Embedded Processing revenue increasing 9 percent from 2012. Operating margin for Analog was 25.8 percent, and it exceeded

30 percent during the second half of 2013. Operating margin for Embedded Processing was 7.6 percent. Additionally, we completed our exit from legacy wireless products. Our business model continued to generate strong cash flow from operations, with free cash flow for 2013 of \$3 billion, or 24 percent of revenue. During 2013 we returned over \$4 billion of cash to investors through a combination of stock repurchases and dividends.

Details of financial results – 2013 compared with 2012

Revenue was \$12.20 billion, down \$620 million, or 5 percent, from 2012 due to lower revenue from legacy wireless products.

Despite the decline in overall revenue, gross profit of \$6.36 billion was about even with 2012 due to a more favorable mix of products shipped and, to a lesser extent, lower manufacturing costs. Gross profit margin was 52.1 percent of revenue compared with 49.6 percent in 2012.

Operating expenses were \$1.52 billion for R&D and \$1.86 billion for SG&A. R&D expense decreased \$355 million, or 19 percent, from 2012 primarily reflecting the wind-down of our legacy wireless products. R&D expense as a percent of revenue was 12.5 percent compared with 14.6 percent in 2012. SG&A expense increased \$54 million, or 3 percent, from 2012 primarily due to higher variable compensation and other support costs, partially offset by reduced costs from the wind-down of our legacy wireless products. SG&A expense as a percent of revenue was 15.2 percent compared with 14.1 percent in 2012.

Acquisition charges were related to our 2011 acquisition of National and were \$341 million in 2013 compared with \$450 million in 2012. The charges were primarily from the amortization of intangible assets. The decrease from 2012 was due to the nonrecurrence of integration-related expenses.

Restructuring charges/other was a net credit of \$189 million, reflecting the \$315 million gain from the technology transfer, partially offset by restructuring charges of \$126 million. This compared with a net charge of \$264 million in 2012, which included restructuring and other charges of \$408 million, partially offset by a \$144 million gain from the transfer of the obligations and assets of a portion of our Japan pension program from the pension trust to the government of Japan. These net amounts are all included in Other. For details on restructuring actions, see Note 4 to the financial statements.

Operating profit was \$2.83 billion, or 23.2 percent of revenue, compared with \$1.97 billion, or 15.4 percent of revenue, in 2012.

The income tax provision was \$592 million compared with \$176 million for 2012. The increase in the total tax provision was due to higher income before income taxes and, to a lesser extent, lower discrete tax benefits. The discrete tax benefits were \$79 million in 2013, primarily due to the effect of the reinstatement of the federal research tax credit for 2012. In 2012, the discrete tax benefits were \$252 million, primarily due to additional U.S. tax benefits for manufacturing related to prior years. Our annual effective tax rates were 24 percent in 2013 and 22 percent in 2012.

Net income was \$2.16 billion, an increase of \$403 million, or 23 percent, from 2012. EPS was \$1.91 compared with \$1.51 for 2012. EPS benefited \$0.06 from 2012 due to a lower number of average shares outstanding as a result of our stock repurchase program.

Segment results– 2013 compared with 2012

Analog

	2013	2012	Change
Revenue	\$ 7,194	\$ 6,998	3%
Operating profit	1,859	1,650	13%
Operating profit % of revenue	25.8%	23.6%	

Analog revenue increased primarily due to growth in Power. Revenue from SVA and HPA also increased, but to a lesser extent. HVAL revenue decreased primarily due to a less favorable mix of products shipped. Operating profit increased primarily due to higher gross profit that benefited from higher revenue and lower manufacturing costs. This increase in gross profit was partially offset by higher operating expenses.

Embedded Processing

	2013	2012	Change
Revenue	\$ 2,450	\$ 2,257	9%
Operating profit	185	158	17%
Operating profit % of revenue	7.6%	7.0%	

Embedded Processing revenue increased primarily due to higher revenue from Microcontrollers, and to a lesser extent, Processor and Connectivity. Operating profit increased due to higher revenue and associated gross profit, partially offset by higher operating expenses.

Other

	2013	2012	Change
Revenue	\$ 2,561	\$ 3,570	-28%
Operating profit*	788	165	378%
Operating profit % of revenue	30.8%	4.6%	

*Includes Acquisition charges and Restructuring charges/other

Revenue from Other decreased primarily due to lower revenue from legacy wireless products. Operating profit from Other increased due to lower operating expenses and Restructuring charges/other. These decreases were partially offset by lower revenue and associated gross profit.

Financial condition

At the end of 2014, total cash (Cash and cash equivalents plus Short-term investments) was \$3.54 billion, a decrease of \$288 million from the end of 2013.

Accounts receivable were \$1.25 billion at the end of 2014. This was an increase of \$43 million compared with the end of 2013 due to higher revenue. Days sales outstanding were 34 at the end of 2014 compared with 36 at the end of 2013.

Inventory was \$1.78 billion at the end of 2014. This was an increase of \$53 million from the end of 2013. Days of inventory at the end of 2014 were 117 compared with 112 at the end of 2013. As sales to distributors become a larger portion of our revenue, we expect consignment inventory to become a larger portion of our total inventory. This may lead to changes in the level of inventory we carry in the future.

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 operating activities for 2014 was \$3.89 billion, an increase of \$508 million from 2013 due to an increase in Net income.

We had \$1.20 billion of Cash and cash equivalents and \$2.34 billion of Short-term investments as of December 31, 2014. Our U.S. entities owned 82 percent of total cash at the end of 2014.

We have a variable-rate revolving credit facility with a consortium of investment-grade banks that allows us to borrow up to \$2 billion until March 2019. This credit facility also serves as support for the issuance of commercial paper. As of December 31, 2014, our credit facility was undrawn and we had no commercial paper outstanding.

In 2014, investing activities used \$377 million compared with \$3 million in 2013. For 2014, Capital expenditures were \$385 million compared with \$412 million in 2013. Capital expenditures in both periods were primarily for semiconductor manufacturing equipment. In 2014, we had purchases of short-term investments, net of sales, that used cash of \$141 million. In comparison, in 2013, we had sales of short-term investments, net of purchases, that provided cash proceeds of \$342 million. In addition, we had proceeds from sales of assets of \$142 million in 2014 compared with \$21 million in 2013.

In 2014, financing activities used net cash of \$3.94 billion compared with \$3.17 billion in 2013. In 2014, we received proceeds of \$498 million from the issuance of fixed-rate long-term debt (net of original issuance discount) and repaid \$1.00 billion of maturing debt. In 2013, we received proceeds of \$986 million from the issuance of fixed-rate long-term debt (net of original issuance discount) and repaid \$1.50 billion of maturing debt. Dividends paid in 2014 were \$1.32 billion compared with \$1.18 billion in 2013, reflecting increases in the dividend rate. During 2014, the quarterly dividend increased from \$0.30 to \$0.34 per share, resulting in an annualized dividend payment of \$1.36 per share. In 2013, we announced two increases in our quarterly dividend, increasing from \$0.21 to \$0.30 per share. In 2014, we used \$2.83 billion to repurchase 61.7 million shares of our common stock. This compared with \$2.87 billion used in 2013 to repurchase 77.6 million shares. Employee exercises of stock options are also reflected in Cash flows from financing activities. In 2014, these exercises provided cash proceeds of \$616 million compared with \$1.31 billion in 2013. Stock option exercises in 2013 were higher than historical averages.

We believe we have the necessary financial resources and operating plans to fund our working capital needs, capital expenditures, dividend and debt-related payments, and other business requirements for at least the next 12 months.

Non-GAAP financial information

This MD&A includes references to free cash flow and ratios based on that measure. These are financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (GAAP). Free cash flow was calculated by subtracting Capital expenditures from the most directly comparable GAAP measure, Cash flows from operating activities (also referred to as cash flow from operations). We believe that free cash flow and the associated ratios provide insight into our liquidity, our cash-generating capability and the amount of cash potentially available to return to investors, as well as insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures. Reconciliation to the most directly comparable GAAP-based measures is provided in the table below.

	For Years Ended	
	December 31,	
	2014	2013
Cash flow from operations (GAAP)	\$ 3,892	\$ 3,384
Capital expenditures	(385)	(412)
Free cash flow (non-GAAP)	\$ 3,507	\$ 2,972
Revenue	\$ 13,045	\$ 12,205
Cash flow from operations as a percent of revenue (GAAP)	30%	28%
Free cash flow as a percent of revenue (non-GAAP)	27%	24%

Long-term contractual obligations

Contractual Obligations	Payments Due by Period				
	2015	2016/2017	2018/2019	Thereafter	Total
Long-term debt obligations (a)	\$ 1,000	\$ 1,625	\$ 1,250	\$ 750	\$ 4,625
Operating lease obligations (b)	87	111	54	80	332
Software license obligations (c)	39	27	—	—	66
Purchase obligations (d)	96	87	24	2	209
Deferred compensation plan (e)	16	40	32	80	168
Total (f)	\$ 1,238	\$ 1,890	\$ 1,360	\$ 912	\$ 5,400

(a) Includes amounts classified as the current portion of long-term debt, specifically obligations that will mature within 12 months. The related interest payments are not included.

(b) Includes minimum payments for leased facilities and equipment and purchases of industrial gases under contracts accounted for as operating leases.

(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 \$2 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, 2014.

(f) Excluded from the table are \$108 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. Regarding future funding of retirement benefit plans, we plan to contribute about \$100 million in 2015, but funding projections beyond 2015 are not practical to estimate due to the rules affecting tax-deductible contributions and the impact from 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

We recognize revenue from sales of our products, including direct sales to our distributors, when title and risk of loss pass, which usually occurs upon shipment or delivery to the customer or distributor, 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. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon resale of the products. In 2014, about 60 percent of our revenue was generated from sales of our products to distributors.

We recognize revenue net of allowances, which are management's estimates of future credits to be granted to customers or distributors under programs common in the semiconductor industry. These allowances are based on analysis of historical data, current economic conditions, and contractual terms and are recorded when revenue is recognized. Allowances may include volume-based incentives, product returns due to quality issues, incentives designed to maximize growth opportunities and special pricing arrangements. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities. To estimate allowances, we use statistical percentages of revenue, which are determined quarterly based upon recent historical adjustment trends. 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.

We may also provide distributors an allowance to scrap certain slow-selling 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.

Revenue from sales of our products that are subject to inventory consignment agreements, including consignment arrangements with distributors, is recognized in accordance with the principles discussed above, but delivery occurs when the customer or distributor pulls product from consignment inventory that we store at designated locations. About 60 percent of our distributor revenue is generated from sales of consigned inventory. The allowances we record against this revenue are not material.

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.

In addition, we record allowances for accounts receivable that we estimate may not be collected. 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. We include amounts received from customers for reimbursement of shipping fees in revenue. We include the costs of shipping and handling in COR.

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. Also, our plans for the permanent reinvestment or eventual repatriation of the accumulated earnings of certain of our non-U.S. operations could change. Such changes could have a material effect on tax expense in future years.

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 in tax law enacted during the year could affect these estimates. Retroactive changes in tax law enacted subsequent to the end of a reporting period are reflected in the period of enactment as a discrete tax item.

Inventory valuation allowances

Inventory is valued net of allowances for unsalable or obsolete raw materials, work-in-process and finished goods. Statistical allowances are determined quarterly for raw materials and work-in-process based on historical disposals of inventory for salability and obsolescence reasons. For finished goods, quarterly statistical allowances are determined by comparing inventory levels of individual parts to historical shipments, current backlog and estimated future sales in order to identify inventory judged unlikely to be sold. A specific allowance for each material type will be carried if there is a significant event not captured by the statistical allowance. Examples are an end-of-life part or demand with imminent risk of cancellation. Allowances are also calculated quarterly for instances where inventoried costs for individual products are in excess of market prices for those products. 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.

Impairment of acquisition-related intangibles and goodwill

We review acquisition-related intangible assets for impairment when certain indicators suggest an asset's carrying amount may not be recoverable. Factors considered include the asset's underperformance compared with expectations and shortened useful life due to planned changes in its use. Recoverability is determined by comparing the carrying amount of the asset to the estimated future undiscounted cash flow. If the future undiscounted cash flow is 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 an intangible asset 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 Note 2 to the financial statements for information on new accounting standards.

Off-balance sheet arrangements

As of December 31, 2014, 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 13 to the financial statements for a discussion of our commitments and contingencies.

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

Foreign exchange risk

The U.S. dollar is the functional currency for financial reporting. Our non-U.S. entities own assets or liabilities denominated in U.S. dollars or other currencies. Exchange rate fluctuations can have a significant impact on taxable income in those jurisdictions, and consequently on our effective tax rate.

Our balance sheet also reflects amounts remeasured from non-U.S. dollar currencies. Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by forward currency exchange contracts, based on year-end 2014 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 less than \$1 million.

We use these 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 2014, we had forward currency exchange contracts outstanding with a notional value of \$504 million to hedge net balance sheet exposures (including \$183 million to sell Japanese yen, \$163 million to sell euros and \$29 million to sell British pound sterling). Similar hedging activities existed at year-end 2013.

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.

As of December 31, 2014, a hypothetical 100 basis point increase in interest rates would decrease the fair value of our investments in cash equivalents and short-term investments by \$12 million and decrease the fair value of our long-term debt by \$128 million. Because interest rates on our long-term debt are fixed, changes in interest rates would not affect the cash flows associated with long-term debt.

Equity risk

Long-term investments at year-end 2014 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.

ITEM 8. Financial Statements and Supplementary Data.

Texas Instruments Incorporated and Subsidiaries

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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.

Consolidated Statements of Income	For Years Ended December 31,		
	2014	2013	2012
(Millions of dollars, except share and per-share amounts)			
Revenue	\$ 13,045	\$ 12,205	\$ 12,825
Cost of revenue (COR)	5,618	5,841	6,457
Gross profit	7,427	6,364	6,368
Research and development (R&D)	1,358	1,522	1,877
Selling, general and administrative (SG&A)	1,843	1,858	1,804
Acquisition charges	330	341	450
Restructuring charges/other	(51)	(189)	264
Operating profit	3,947	2,832	1,973
Other income (expense), net (OI&E)	21	17	47
Interest and debt expense	94	95	85
Income before income taxes	3,874	2,754	1,935
Provision for income taxes	1,053	592	176
Net income	\$ 2,821	\$ 2,162	\$ 1,759
Earnings per common share (EPS):			
Basic	\$ 2.61	\$ 1.94	\$ 1.53
Diluted	\$ 2.57	\$ 1.91	\$ 1.51
Average shares outstanding (millions):			
Basic	1,065	1,098	1,132
Diluted	1,080	1,113	1,146
Cash dividends declared per common share	\$ 1.24	\$ 1.07	\$ 0.72
As a result of accounting rule ASC 260, which requires a portion of Net income to be allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents, diluted EPS is calculated using the following:			
Net income	\$ 2,821	\$ 2,162	\$ 1,759
Income allocated to RSUs	(43)	(36)	(31)
Income allocated to common stock for diluted EPS	\$ 2,778	\$ 2,126	\$ 1,728

See accompanying notes.

Consolidated Statements of Comprehensive Income (Millions of dollars)	For Years Ended December 31,		
	2014	2013	2012
Net income	\$ 2,821	\$ 2,162	\$ 1,759
Other comprehensive income (loss)			
Net actuarial gains (losses) of defined benefit plans:			
Adjustment, net of tax benefit (expense) of \$25, (\$60) and \$29	(46)	105	(81)
Recognized within Net income, net of tax benefit (expense) of (\$21), (\$37) and (\$104)	42	71	160
Prior service cost of defined benefit plans:			
Adjustment, net of tax benefit (expense) of \$0, \$1 and \$1	(1)	(3)	(2)
Recognized within Net income, net of tax benefit (expense) of \$0, \$2 and \$0	—	(3)	—
Derivative instruments:			
Change in fair value, net of tax benefit (expense) of \$0, \$0 and \$1	—	—	(3)
Recognized within Net income, net of tax benefit (expense) of (\$1), (\$1) and \$0	1	1	—
Available-for-sale investments:			
Unrealized gains (losses), net of tax benefit (expense) of \$0, \$0 and (\$1)	—	—	3
Other comprehensive income (loss), net of taxes	(4)	171	77
Total comprehensive income	\$ 2,817	\$ 2,333	\$ 1,836

See accompanying notes.

Consolidated Balance Sheets	December 31,	
	2014	2013
(Millions of dollars, except share amounts)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,199	\$ 1,627
Short-term investments	2,342	2,202
Accounts receivable, net of allowances of (\$12) and (\$22)	1,246	1,203
Raw materials	101	102
Work in process	896	919
Finished goods	787	710
Inventories	1,784	1,731
Deferred income taxes	347	393
Prepaid expenses and other current assets	850	863
Total current assets	7,768	8,019
Property, plant and equipment at cost	6,266	6,556
Accumulated depreciation	(3,426)	(3,157)
Property, plant and equipment, net	2,840	3,399
Long-term investments	224	216
Goodwill, net	4,362	4,362
Acquisition-related intangibles, net	1,902	2,223
Deferred income taxes	172	207
Capitalized software licenses, net	83	118
Overfunded retirement plans	127	130
Other assets	244	264
Total assets	\$ 17,722	\$ 18,938
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$ 1,001	\$ 1,000
Accounts payable	437	422
Accrued compensation	651	554
Income taxes payable	71	119
Deferred income taxes	4	1
Accrued expenses and other liabilities	498	651
Total current liabilities	2,662	2,747
Long-term debt	3,641	4,158
Underfunded retirement plans	225	216
Deferred income taxes	399	548
Deferred credits and other liabilities	405	462
Total liabilities	7,332	8,131
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 – 1,740,815,939	1,741	1,741
Paid-in capital	1,368	1,211
Retained earnings	29,653	28,173
Treasury common stock at cost. Shares: 2014 – 694,189,127; 2013 – 658,012,970	(21,840)	(19,790)
Accumulated other comprehensive income (loss), net of taxes (AOCI)	(532)	(528)
Total stockholders' equity	10,390	10,807
Total liabilities and stockholders' equity	\$ 17,722	\$ 18,938

See accompanying notes.

Consolidated Statements of Cash Flows	For Years Ended December 31,		
	2014	2013	2012
(Millions of dollars)			
Cash flows from operating activities			
Net income	\$ 2,821	\$ 2,162	\$ 1,759
Adjustments to Net income:			
Depreciation	850	879	957
Amortization of acquisition-related intangibles	321	336	342
Amortization of capitalized software	59	82	102
Stock-based compensation	277	287	263
Gains on sales of assets	(73)	(6)	—
Deferred income taxes	(61)	50	130
Gain on transfer of Japan substitutional pension	—	—	(144)
Increase (decrease) from changes in:			
Accounts receivable	(49)	16	311
Inventories	(53)	26	5
Prepaid expenses and other current assets	65	(136)	162
Accounts payable and accrued expenses	(194)	(284)	99
Accrued compensation	89	18	(82)
Income taxes payable	(81)	78	(229)
Changes in funded status of retirement plans	(58)	28	(198)
Other	(21)	(152)	(63)
Cash flows from operating activities	3,892	3,384	3,414
Cash flows from investing activities			
Capital expenditures	(385)	(412)	(495)
Proceeds from asset sales	142	21	—
Purchases of short-term investments	(3,107)	(3,907)	(2,802)
Proceeds from short-term investments	2,966	4,249	2,198
Other	7	46	60
Cash flows from investing activities	(377)	(3)	(1,039)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	498	986	1,492
Repayment of debt and commercial paper borrowings	(1,000)	(1,500)	(1,375)
Dividends paid	(1,323)	(1,175)	(819)
Stock repurchases	(2,831)	(2,868)	(1,800)
Proceeds from common stock transactions	616	1,314	523
Excess tax benefit from share-based payments	100	80	38
Other	(3)	(7)	(10)
Cash flows from financing activities	(3,943)	(3,170)	(1,951)
Net change in Cash and cash equivalents	(428)	211	424
Cash and cash equivalents at beginning of period	1,627	1,416	992
Cash and cash equivalents at end of period	\$ 1,199	\$ 1,627	\$ 1,416

See accompanying notes.

Consolidated Statements of Stockholders' Equity	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	AOCI
(Millions of dollars, except per-share amounts)					
Balance, December 31, 2011	\$ 1,741	\$ 1,194	\$ 26,278	\$ (17,485)	\$ (776)
2012					
Net income	—	—	1,759	—	—
Dividends declared and paid (\$0.72 per share)	—	—	(819)	—	—
Common stock issued for stock-based awards	—	(337)	—	823	—
Stock repurchases	—	—	—	(1,800)	—
Stock-based compensation	—	263	—	—	—
Tax impact from exercise of options	—	56	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	77
Dividend equivalents paid on restricted stock units	—	—	(13)	—	—
Balance, December 31, 2012	1,741	1,176	27,205	(18,462)	(699)
2013					
Net income	—	—	2,162	—	—
Dividends declared and paid (\$1.07 per share)	—	—	(1,175)	—	—
Common stock issued for stock-based awards	—	(273)	—	1,540	—
Stock repurchases	—	—	—	(2,868)	—
Stock-based compensation	—	287	—	—	—
Tax impact from exercise of options	—	25	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	171
Dividend equivalents paid on restricted stock units	—	—	(19)	—	—
Other	—	(4)	—	—	—
Balance, December 31, 2013	1,741	1,211	28,173	(19,790)	(528)
2014					
Net income	—	—	2,821	—	—
Dividends declared and paid (\$1.24 per share)	—	—	(1,323)	—	—
Common stock issued for stock-based awards	—	(226)	—	781	—
Stock repurchases	—	—	—	(2,831)	—
Stock-based compensation	—	277	—	—	—
Tax impact from exercise of options	—	110	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	(4)
Dividend equivalents paid on restricted stock units	—	—	(18)	—	—
Other	—	(4)	—	—	—
Balance, December 31, 2014	\$ 1,741	\$ 1,368	\$ 29,653	\$ (21,840)	\$ (532)

See accompanying notes.

Notes to financial statements

1. Description of business, including segment and geographic area information

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. We have two reportable segments, which are established along major categories of products as follows:

- *Analog* – consists of the following product lines: High Volume Analog & Logic; Power Management; High Performance Analog; and Silicon Valley Analog, which consists primarily of products that we acquired through our purchase of National Semiconductor Corporation (National) in 2011.
- *Embedded Processing* – consists of the following product lines: Processor, Microcontrollers and Connectivity.

We report the results of our remaining business activities in Other. Other includes operating segments that do not meet the quantitative thresholds for individually reportable segments and cannot be aggregated with other operating segments. Other includes DLP® products, custom application-specific integrated circuits, calculators, royalties, and products from our former Wireless segment, which was eliminated effective January 1, 2013.

We also include in Other items that are not used in evaluating the results of or in allocating resources to our segments. These include acquisition-related charges (see Note 3); restructuring charges (see Note 4); and certain corporate-level items, such as litigation expenses, environmental costs, insurance settlements, and gains and losses from other activities, including asset dispositions. We allocate the remainder of our expenses associated with corporate activities to our operating segments based on specific methodologies, such as percentage of operating expenses or headcount.

Our centralized manufacturing and support organizations, such as facilities, procurement and logistics, provide support to our operating segments, including those in Other. Costs incurred by these organizations, including depreciation, are charged to the segments on a per-unit basis. Consequently, depreciation expense is not an independently identifiable component within the segments' results and, therefore, is not provided. The assets and liabilities associated with these organizations are included in Other.

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 below in the summary of significant accounting policies and practices.

Segment information

	For Years Ended December 31,		
	2014	2013	2012
Revenue:			
Analog	\$ 8,104	\$ 7,194	\$ 6,998
Embedded Processing	2,740	2,450	2,257
Other	2,201	2,561	3,570
Total revenue	<u>\$ 13,045</u>	<u>\$ 12,205</u>	<u>\$ 12,825</u>
Operating profit:			
Analog	\$ 2,786	\$ 1,859	\$ 1,650
Embedded Processing	384	185	158
Other	777	788	165
Total operating profit	<u>\$ 3,947</u>	<u>\$ 2,832</u>	<u>\$ 1,973</u>

Geographic area information

The following geographic area information includes revenue, based on product shipment destination and royalty payor location, and property, plant and equipment, based on physical location:

	For Years Ended December 31,		
	2014	2013	2012
Revenue:			
United States	\$ 1,625	\$ 1,666	\$ 1,596
Asia (a)	7,915	7,370	7,808
Europe	2,293	1,926	1,861
Japan	1,032	1,072	1,357
Rest of world	180	171	203
Total revenue	<u>\$ 13,045</u>	<u>\$ 12,205</u>	<u>\$ 12,825</u>

(a) Revenue from products shipped into China, including Hong Kong, was \$5.7 billion in 2014, \$5.2 billion in 2013 and \$5.4 billion in 2012.

	December 31,		
	2014	2013	2012
Property, plant and equipment, net:			
United States	\$ 1,436	\$ 1,765	\$ 1,931
Asia	1,096	1,277	1,547
Europe	162	196	241
Japan	124	144	174
Rest of world	22	17	19
Total property, plant and equipment, net	<u>\$ 2,840</u>	<u>\$ 3,399</u>	<u>\$ 3,912</u>

2. Basis of presentation and significant accounting policies and practices

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (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 2014 presentation. The preparation of financial statements requires the use of estimates from which final results may vary.

Significant accounting policies and practices

Revenue recognition

We recognize revenue from sales of our products, including direct sales to our distributors, when title and risk of loss pass, which usually occurs upon shipment or delivery to the customer or distributor, 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. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon resale of the products. In 2014, about 60 percent of our revenue was generated from sales of our products to distributors.

We recognize revenue net of allowances, which are management's estimates of future credits to be granted to customers or distributors under programs common in the semiconductor industry. These allowances are based on analysis of historical data, current economic conditions, and contractual terms and are recorded when revenue is recognized. Allowances may include volume-based incentives, product returns due to quality issues, incentives designed to maximize growth opportunities and special pricing arrangements. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities. To estimate allowances, we use statistical percentages of revenue, which are determined quarterly based upon recent historical adjustment trends. 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.

We may also provide distributors an allowance to scrap certain slow-selling 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.

Revenue from sales of our products that are subject to inventory consignment agreements, including consignment arrangements with distributors, is recognized in accordance with the principles discussed above, but delivery occurs when the customer or distributor pulls product from consignment inventory that we store at designated locations. About 60 percent of our distributor revenue is generated from sales of consigned inventory. The allowances we record against this revenue are not material.

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.

In addition, we record allowances for accounts receivable that we estimate may not be collected. 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.

We recognize shipping fees received from customers in revenue, and we include the shipping and handling costs in COR.

Advertising costs

We expense advertising and other promotional costs as incurred. This expense was \$45 million in 2014, \$46 million in 2013 and \$46 million in 2012.

Restructuring charges

Restructuring charges may consist of voluntary or involuntary severance-related charges, asset-related charges and other costs due 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 are 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 may be viewed as an impairment indicator requiring testing of the recoverability of intangible assets, including goodwill.

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 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 Consolidated Statements of Income on a net (excluded from revenue) basis.

Earnings per share (EPS)

Unvested share-based payment awards that contain non-forfeitable 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):

	For Years Ended December 31,								
	2014			2013			2012		
	Net Income	Shares	EPS	Net Income	Shares	EPS	Net Income	Shares	EPS
Basic EPS:									
Net income	\$ 2,821			\$ 2,162			\$ 1,759		
Income allocated to RSUs	(44)			(37)			(31)		
Income allocated to common stock for basic EPS calculation	\$ 2,777	1,065	\$ 2.61	\$ 2,125	1,098	\$ 1.94	\$ 1,728	1,132	\$ 1.53
Adjustment for dilutive shares:									
Stock-based compensation plans		15			15			14	
Diluted EPS:									
Net income	\$ 2,821			\$ 2,162			\$ 1,759		
Income allocated to RSUs	(43)			(36)			(31)		
Income allocated to common stock for diluted EPS calculation	\$ 2,778	1,080	\$ 2.57	\$ 2,126	1,113	\$ 1.91	\$ 1,728	1,146	\$ 1.51

Potentially dilutive securities representing 11 million and 52 million shares of common stock that were outstanding during 2014 and 2012, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been anti-dilutive. There were no potentially dilutive securities to exclude from the computation of diluted earnings per common share during 2013.

Investments

We present investments on our Consolidated 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 90 days or less from the date of our investment to be cash equivalents. We consider investments in debt securities with maturities beyond 90 days from the date of our investment as being available for use in current operations and include them 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, 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 our investments as either available for sale, trading, equity method or cost method, 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 \$258 million and \$202 million as of December 31, 2014 and 2013, respectively.

We review inventory quarterly for salability and obsolescence. A statistical allowance is provided for inventory considered unlikely to be sold. The statistical allowance is based on an analysis of historical disposal activity, historical customer shipments, as well as estimated future sales. A specific allowance for each material type will be carried if there is a significant event not captured by the statistical allowance. 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 perform our annual goodwill impairment test as of October 1 for our reporting units, which compares the fair value for each reporting unit to its associated carrying value, including goodwill. See Note 10 for additional information.

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 valued 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

We use derivative financial instruments to manage exposure to foreign exchange risk. These instruments are primarily forward foreign currency exchange contracts, which are used as economic hedges to reduce the earnings impact that exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. 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.

In connection with the issuance of long-term debt, we use financial derivatives such as treasury rate lock agreements that are recognized in AOCI and amortized over the life of the related debt. The results of these derivative transactions have not been material.

We do not use derivatives for speculative or trading purposes.

Changes in accounting standards

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This standard raises the threshold at which a disposal qualifies as a discontinued operation. Under the new guidance, only a disposal representing a strategic shift in operations that has or will have a major effect on an entity's operations and financial results, such as a disposal of a major geographic area or a major line of business, should be presented as discontinued operations. In addition, the new standard requires additional disclosures of both discontinued operations and certain other disposals that do not meet the revised definition of a discontinued operation. This standard is effective for annual and interim reporting periods beginning as of January 1, 2015. In the event that a future disposition meets the revised criteria, we expect that this standard will have an impact on the presentation of our financial statements, and we will provide the appropriate disclosures at that time.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. This standard is effective for annual and interim reporting periods beginning as of January 1, 2017. We are currently evaluating the potential impact of this standard on our financial position and results of operations.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This standard sets forth management's responsibility to evaluate, each reporting period, whether there is substantial doubt about an entity's ability to continue as a going concern, and if so, to provide related footnote disclosures. The standard is effective for annual and interim reporting periods ending after December 15, 2016. We expect it will have no impact on our financial position and results of operations.

3. Acquisition charges

We incurred various costs as a result of the 2011 acquisition of National that are included in Other for segment reporting purposes, consistent with how management measures the performance of its segments. Total acquisition-related charges are detailed below:

	For Years Ended December 31,		
	2014	2013	2012
Amortization of intangible assets	\$ 319	\$ 323	\$ 325
Stock-based compensation	11	11	17
Retention bonuses	—	7	57
Severance and other benefits	—	—	16
Transaction and other costs	—	—	35
As recorded in Acquisition charges	330	341	450
As recorded in COR	—	—	21
Total acquisition-related charges	\$ 330	\$ 341	\$ 471

Acquisition charges

The amount of recognized amortization of intangible assets resulting from the National acquisition is based on estimated useful lives. See Note 10 for additional information.

Stock-based compensation was recognized for the accelerated vesting of equity awards upon the termination of employees, with additional compensation being recognized over the applicable vesting period for the remaining grantees.

Retention bonuses reflect amounts paid to former National employees who fulfilled agreed-upon service period obligations and that were recognized ratably over the required service period.

Severance and other benefits costs were for former National employees who were terminated after the closing date. About 350 jobs were eliminated by the end of 2012 as a result of redundancies and cost efficiency measures. As of December 31, 2014, a total of \$86 million in cumulative charges have been recognized, of which \$84 million has been paid, including \$41 million related to change of control provisions under existing employment agreements.

Transaction and other costs included various expenses incurred in connection with the National acquisition.

COR

In 2011, we discontinued using one of National's distributors. We acquired the distributor's inventory at fair value, resulting in an incremental charge of \$21 million to COR upon sale of the inventory in 2012.

4. Restructuring charges/other

Restructuring charges/other is comprised of the following components:

	For Years Ended December 31,		
	2014	2013	2012
Restructuring charges by action:			
<u>2013 actions</u>			
Severance and benefits cost (a)	\$ 16	\$ 49	\$ —
Other exit costs	10	—	—
	<u>26</u>	<u>49</u>	<u>—</u>
<u>Prior actions</u>			
Severance and benefits cost (a)	(6)	36	251
Accelerated depreciation	1	11	21
Other exit costs (a)	(1)	30	128
	<u>(6)</u>	<u>77</u>	<u>400</u>
Total restructuring charges	<u>20</u>	<u>126</u>	<u>400</u>
<u>Other:</u>			
Gains on sales of assets	(75)	—	—
Gain on technology transfer	—	(315)	—
Gain on transfer of Japan substitutional pension	—	—	(144)
Other	4	—	8
Restructuring charges/other	<u>\$ (51)</u>	<u>\$ (189)</u>	<u>\$ 264</u>

(a) Includes changes in estimates.

Restructuring charges/other are recognized in Other for segment reporting purposes. Restructuring actions related to the acquisition of National are discussed in Note 3 and the associated costs are reflected in the Acquisition charges line of our Consolidated Statements of Income.

2013 actions

We announced in January 2014 cost-saving actions in Embedded Processing and in Japan to reduce expenses and focus our investments on markets with greater potential for sustainable growth and strong long-term returns. We expect the actions to be completed by mid-2015. Cost reductions include the elimination of about 1,100 jobs worldwide. Through December 31, 2014, we have recognized \$75 million in cumulative restructuring charges, with no further material charges expected. As of December 31, 2014, \$43 million has been paid to terminated employees for severance and benefits.

Prior actions

In 2012, we announced a restructuring of our Wireless business to reduce expenses and focus our investments on markets with greater potential for sustainable growth and strong long-term returns. This action was completed in 2013. We recognized \$383 million in cumulative restructuring charges, including a \$90 million impairment of goodwill. As of December 31, 2014, \$247 million has been paid to terminated employees for severance and benefits.

Also in 2012, we announced closure of two older semiconductor manufacturing facilities in Houston, Texas, and Hiji, Japan. We recognized \$200 million in cumulative restructuring charges related to these closures, completing both by the end of 2013. As of December 31, 2014, \$103 million has been paid to terminated employees for severance and benefits.

As of December 31, 2014 and 2013, we carried immaterial liabilities related to actions commenced in 2008 and 2009. The related expense was recognized in periods prior to 2011.

The table below reflects the changes in accrued restructuring balances associated with these actions:

	2013 Actions		Prior Actions		Total
	Severance and Benefits	Other Charges	Severance and Benefits	Other Charges	
Accrual at December 31, 2011	\$ —	\$ —	\$ 109	\$ 7	\$ 116
Restructuring charges (a)	—	—	251	149	400
Non-cash items (b)	—	—	3	(124)	(121)
Payments	—	—	(23)	(23)	(46)
Remaining accrual at December 31, 2012	—	—	340	9	349
Restructuring charges (a)	49	—	36	41	126
Non-cash items (b)	—	—	(5)	(17)	(22)
Payments	—	—	(266)	(26)	(292)
Remaining accrual at December 31, 2013	49	—	105	7	161
Restructuring charges (a)	16	10	(6)	—	20
Payments	(43)	(1)	(73)	(7)	(124)
Remaining accrual at December 31, 2014	\$ 22	\$ 9	\$ 26	\$ —	\$ 57

(a) Includes changes in estimates.

(b) Reflects charges for goodwill impairment, stock-based compensation, impacts of postretirement benefit plans and accelerated depreciation.

The accrual balances above are primarily reported as a component of either Accrued expenses and other liabilities or Deferred credits and other liabilities on our Consolidated Balance Sheets, depending on the expected timing of payment.

Other

Gains on sales of assets

We recognized \$75 million of gains on sales of assets in 2014. This consisted of \$30 million associated with the sale of our site in Nice, France; \$28 million associated with the sales of real estate in Santa Clara, California; and \$17 million of asset sales associated primarily with the closure of our Houston, Texas, and Hiji, Japan, manufacturing facilities.

Gain on technology transfer

During 2013, we recognized a gain of \$315 million on the transfer of wireless connectivity technology to a customer. This technology was associated with the former Wireless business.

Gain on transfer of Japan substitutional pension

During 2012, we transferred the obligations and assets of the substitutional portion of our Japan pension plan to the government of Japan, resulting in a net gain of \$144 million. See Note 11 for additional details.

5. Stock-based compensation

We have stock options outstanding to participants under long-term incentive plans. We also have assumed stock options that were granted by companies that we later acquired. 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 10-year term and vest ratably over four years. Our options generally continue to vest after the option recipient retires.

We also have RSUs outstanding under 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. Beginning with 2013 grants, RSUs generally continue to vest after the recipient retires. Holders of most RSUs receive an annual cash payment equivalent to the dividends paid on our common stock.

We have options and RSUs outstanding to non-employee directors under 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, subject to a cap. 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:

	For Years Ended December 31,		
	2014	2013	2012
Stock-based compensation expense recognized in:			
COR	\$ 48	\$ 49	\$ 48
R&D	62	67	71
SG&A	156	160	127
Acquisition charges	11	11	17
Total	<u>\$ 277</u>	<u>\$ 287</u>	<u>\$ 263</u>

These amounts include expenses 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 with graded vesting provisions (e.g., 25 percent per year for four years). Generally, we recognize the related compensation expense on a straight-line basis over the minimum service period required for vesting of the award, adjusting for expected forfeiture activity. Awards issued to employees who are retirement eligible or nearing retirement eligibility are expensed on an accelerated basis.

Our RSUs generally vest four years after the date of grant. We recognize the related compensation expense on a straight-line basis over the vesting period, adjusting for expected forfeiture activity. Beginning with 2013 grants, RSUs issued to employees who are retirement eligible or nearing retirement eligibility are expensed on an accelerated basis.

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 using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions.

	For Years Ended December 31,		
	2014	2013	2012
Weighted average grant date fair value, per share	\$ 8.13	\$ 6.78	\$ 8.31
Weighted average assumptions used:			
Expected volatility	22%	26%	30%
Expected lives (in years)	7.3	7.4	7.1
Risk-free interest rates	2.45%	1.43%	1.40%
Expected dividend yields	2.72%	2.56%	2.10%

We determine expected volatility on all options granted 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 10-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 annualized approved quarterly dividend rate 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 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-Merton 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 2014 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, 2013	64,930,540	\$ 28.98	20,892,022	\$ 29.94
Granted	14,053,185	44.11	3,184,237	44.71
Vested RSUs	—	—	(5,609,627)	23.68
Forfeited and expired	(1,832,897)	36.54	(1,162,817)	33.22
Exercised	(19,503,382)	27.75	—	—
Outstanding grants, December 31, 2014	57,647,446	32.84	17,303,815	34.47

The weighted average grant date fair value of RSUs granted during the years 2014, 2013 and 2012 was \$44.71, \$33.70 and \$31.60 per share, respectively. For the years ended December 31, 2014, 2013 and 2012, the total grant date fair value of shares vested from RSU grants was \$133 million, \$98 million and \$120 million, respectively.

Summarized information about stock options outstanding at December 31, 2014, is as follows:

Range of Exercise Price	Stock Options Outstanding			Options Exercisable	
	Number Outstanding (Shares)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price per Share	Number Exercisable (Shares)	Weighted Average Exercise Price per Share
\$ 14.47 to 20.00	4,061,577	4.0	\$ 14.98	4,061,577	\$ 14.98
20.01 to 30.00	11,270,125	3.7	25.47	11,250,200	25.46
30.01 to 40.00	28,910,636	6.5	33.00	12,288,339	33.14
40.01 to 50.00	13,399,020	9.1	44.10	1,750	42.66
50.01 to 55.41	6,088	9.9	55.41	—	—
14.47 to 55.41	57,647,446	6.4	32.84	27,601,866	27.34

During the years ended December 31, 2014, 2013 and 2012, the aggregate intrinsic value (i.e., the difference in the closing market price on the date of exercise and the exercise price paid by the optionee) of options exercised was \$367 million, \$427 million and \$244 million, respectively.

Summarized information as of December 31, 2014, 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)	56,328,323	27,601,866
Weighted average remaining contractual life (in years)	6.3	4.4
Weighted average exercise price per share	\$ 32.69	\$ 27.34
Intrinsic value (millions of dollars)	\$ 1,170	\$ 721

(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 \$1,189 million.

As of December 31, 2014, the total future compensation cost related to equity awards not yet recognized in the Consolidated Statements of Income was \$308 million, consisting of \$113 million related to unvested stock options and \$195 million related to unvested RSUs. The \$308 million is expected to be recognized as follows: \$168 million in 2015, \$91 million in 2016, \$44 million in 2017 and \$5 million in 2018.

Director deferred compensation

Directors who retire or resign from the board may receive stock distributions for compensation they elected to defer. For these stock distributions, we issued treasury shares. Director deferred stock activity during 2014 was as follows:

	Director Deferred Stock (Shares)
Outstanding, December 31, 2013	129,264
New shares deferred	13,636
Issued	(7,178)
Outstanding, December 31, 2014	135,722

Employee stock purchase plan

Options outstanding under the employee stock purchase plan at December 31, 2014, had an exercise price equal to 85 percent of the fair market value of TI common stock on the date of automatic exercise. The automatic exercise occurred on January 2, 2015, resulting in an exercise price of \$45.46 per share. Of the total outstanding options, none were exercisable at year-end 2014.

Employee stock purchase plan transactions during 2014 were as follows:

	Employee Stock Purchase Plan (Shares)	Exercise Price
Outstanding grants, December 31, 2013	485,408	\$ 36.64
Granted	1,673,479	41.60
Exercised	(1,784,184)	39.44
Outstanding grants, December 31, 2014	374,703	45.46

The weighted average grant date fair value of options granted under the employee stock purchase plans during the years 2014, 2013 and 2012 was \$7.34, \$5.71 and \$4.52 per share, respectively. During the years ended December 31, 2014, 2013 and 2012, the total intrinsic value of options exercised under these plans was \$12 million, \$13 million and \$13 million, respectively.

Effect on shares outstanding and treasury shares

Treasury shares were acquired in connection with the board-authorized stock repurchase program. As of December 31, 2014, \$3.17 billion of stock repurchase authorizations remain, and no expiration date has been specified.

Our current practice is to issue shares of common stock from treasury shares upon exercise of stock options, distribution of director deferred compensation and vesting of RSUs. The table below reflects the changes in our treasury shares:

	<u>Stock Options</u>	<u>RSUs</u>	<u>Treasury Shares</u>
Balance, December 31, 2011			601,131,631
Repurchases			59,757,780
Shares used for:			
Stock options/RSUs	(22,409,816)	(4,182,928)	
Previously unissued common shares (a)	180,955	4,593	
Stock applied to taxes	—	990,845	
ESPP	(2,829,498)	—	
Director deferred stock	—	—	(6,592)
Total issued	<u>(25,058,359)</u>	<u>(3,187,490)</u>	<u>(28,245,849)</u>
Balance, December 31, 2012			632,636,970
Repurchases			77,564,013
Shares used for:			
Stock options/RSUs	(45,507,711)	(5,741,981)	
Stock applied to taxes	—	1,461,422	
ESPP	(2,386,834)	—	
Director deferred stock	—	—	(12,909)
Total issued	<u>(47,894,545)</u>	<u>(4,280,559)</u>	<u>(52,175,104)</u>
Balance, December 31, 2013			658,012,970
Repurchases			61,665,209
Shares used for:			
Stock options/RSUs	(19,503,382)	(5,609,627)	
Stock applied to exercises or taxes	6,618	1,408,701	
ESPP	(1,784,184)	—	
Director deferred stock	—	—	(7,178)
Total issued	<u>(21,280,948)</u>	<u>(4,200,926)</u>	<u>(25,481,874)</u>
Balance, December 31, 2014			<u>694,189,127</u>

(a) Beginning in 2013, only treasury shares were issued.

Shares available for future grants and reserved for issuance are summarized below:

Shares	December 31, 2014		
	Long-Term Incentive and Director Compensation Plans	Employee Stock Purchase Plan	Total
Reserved for issuance (a)	121,127,656	39,565,038	160,692,694
Shares to be issued upon exercise of outstanding options and RSUs (a)	(75,086,983)	(374,703)	(75,461,686)
Available for future grants	46,040,673	39,190,335	85,231,008

(a) Includes 135,722 shares credited to directors' deferred stock accounts that settle in shares of TI common stock. These shares are not included as grants outstanding at December 31, 2014.

The effects on cash flows were as follows:

	For Years Ended December 31,		
	2014	2013	2012
Proceeds from common stock transactions	\$ 616	\$ 1,314	\$ 523
Tax benefit realized from stock options exercised	218	227	133

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 \$269 million, \$161 million and \$96 million of profit sharing expense under the TI Employee Profit Sharing Plan in 2014, 2013 and 2012, respectively.

7. Income taxes

Income before Income Taxes

	U.S.	Non-U.S.	Total
2014	\$ 2,684	\$ 1,190	\$ 3,874
2013	1,507	1,247	2,754
2012	319	1,616	1,935

Provision (Benefit) for Income Taxes

	U.S. Federal	Non-U.S.	U.S. State	Total
2014				
Current	\$ 911	\$ 194	\$ 9	\$ 1,114
Deferred	(73)	11	1	(61)
Total	<u>\$ 838</u>	<u>\$ 205</u>	<u>\$ 10</u>	<u>\$ 1,053</u>
2013				
Current	\$ 291	\$ 247	\$ 4	\$ 542
Deferred	17	33	—	50
Total	<u>\$ 308</u>	<u>\$ 280</u>	<u>\$ 4</u>	<u>\$ 592</u>
2012				
Current	\$ (108)	\$ 156	\$ (2)	\$ 46
Deferred	65	65	—	130
Total	<u>\$ (43)</u>	<u>\$ 221</u>	<u>\$ (2)</u>	<u>\$ 176</u>

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

	For Years Ended December 31,		
	2014	2013	2012
Computed tax at statutory rate	\$ 1,356	\$ 964	\$ 677
Non-U.S. effective tax rates	(212)	(156)	(345)
U.S. R&D tax credit	(59)	(129)	—
U.S. tax benefit for manufacturing	(51)	(66)	(158)
Impact of changes to uncertain tax positions	3	(14)	(88)
Non-deductible expenses	6	13	42
Other	10	(20)	48
Total provision for income taxes	<u>\$ 1,053</u>	<u>\$ 592</u>	<u>\$ 176</u>

The total provision for 2013 in the reconciliation above includes \$79 million of discrete tax benefits primarily for the reinstatement of the U.S. R&D tax credit retroactive to 2012.

Included in the non-U.S. effective tax rates reconciling item are benefits from tax holidays of \$44 million, \$40 million and \$51 million in 2014, 2013 and 2012, respectively. The tax benefits relate to our operations in Malaysia and the Philippines, and expire in 2018 and 2017, respectively. The terms of the Malaysia tax holiday are currently under governmental review as required for the end of the first five years of the holiday period. We do not expect any potential change in the holiday to have a material impact on the financial statements.

The total provision for 2012 includes \$252 million of discrete tax benefits primarily for additional U.S. tax benefits for manufacturing related to the years 2000 through 2011 and, to a lesser extent, audit adjustments.

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

	December 31,	
	2014	2013
Deferred income tax assets:		
Deferred loss and tax credit carryforwards	\$ 289	\$ 345
Accrued expenses	248	265
Stock-based compensation	238	262
Inventories and related reserves	157	162
Retirement costs for defined benefit and retiree health care	96	101
Other	122	148
	<u>1,150</u>	<u>1,283</u>
Valuation allowance	(195)	(219)
	<u>955</u>	<u>1,064</u>
Deferred income tax liabilities:		
Acquisition-related intangibles and fair-value adjustments	(688)	(804)
International earnings	(104)	(121)
Property, plant and equipment	(10)	(57)
Other	(37)	(31)
	<u>(839)</u>	<u>(1,013)</u>
Net deferred income tax asset	<u>\$ 116</u>	<u>\$ 51</u>

The deferred income tax assets and liabilities based on tax jurisdictions are presented on the Consolidated Balance Sheets as follows:

	December 31,	
	2014	2013
Current deferred income tax assets	\$ 347	\$ 393
Noncurrent deferred income tax assets	172	207
Current deferred income tax liabilities	(4)	(1)
Noncurrent deferred income tax liabilities	(399)	(548)
Net deferred income tax asset	<u>\$ 116</u>	<u>\$ 51</u>

We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. 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. In 2014, we recognized a net decrease of \$24 million in our valuation allowance, due to unutilized tax credits.

We have U.S. and non-U.S. tax loss carryforwards of approximately \$108 million, none of which will expire before the year 2024.

A 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 of approximately \$7.67 billion at December 31, 2014, have been indefinitely reinvested outside of the United States; therefore, no U.S. tax 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 working capital 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 \$1.104 billion, \$569 million and \$171 million for the years ended December 31, 2014, 2013 and 2012, 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:

	2014	2013	2012
Balance, January 1	\$ 91	\$ 184	\$ 210
Additions based on tax positions related to the current year	10	7	12
Additions for tax positions of prior years	52	19	45
Reductions for tax positions of prior years	(9)	(10)	(92)
Settlements with tax authorities	(36)	(96)	39
Expiration of the statute of limitations for assessing taxes	—	(13)	(30)
Balance, December 31	<u>\$ 108</u>	<u>\$ 91</u>	<u>\$ 184</u>
Interest income (expense) recognized in the year ended December 31	<u>\$ 6</u>	<u>\$ (10)</u>	<u>\$ 32</u>
Interest receivable (payable) as of December 31	<u>\$ —</u>	<u>\$ (5)</u>	<u>\$ 8</u>

The liability for uncertain tax positions and interest payable are components of Deferred credits and other liabilities on our Consolidated Balance Sheets. Interest receivable is a component of Other assets on our Consolidated Balance Sheets.

The \$108 million liability for uncertain tax positions as of December 31, 2014, is comprised of positions that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, \$56 million of existing deferred tax assets would also be realized, related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation. Regarding the \$108 million liability:

- About \$76 million of the liability represents uncertain tax positions for tax years in jurisdictions in which audit assessments have not been made. Of this liability, \$52 million relates to the cumulative effect of a tax depreciation-related method change. The balance of this liability is primarily related to transfer pricing issues for which procedures for relief from double taxation will mitigate the tax rate impact of any difference between the actual tax assessments and our estimates.
- About \$32 million of the liability represents audit assessments. Of the liability, \$29 million is related to transfer pricing issues for which there are ongoing procedures for relief from double taxation. Settlement of the \$29 million is subject to timely completion of the tax treaty processes and a significant portion of that liability may be settled within the next 12 months. Settlement will not have a significant tax rate impact, as the tax rates of the counterparty jurisdictions are similar.

All of the \$91 million liability for uncertain tax positions as of December 31, 2013, is made up of positions that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, \$76 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, 2014, the statute of limitations remains open for U.S. federal tax returns for 2010 and following years. Audit activities related to our U.S. federal tax returns through 2009 have been completed except for certain pending tax treaty procedures for relief from double taxation and the review of refunds claimed on amended returns for years prior to 2010. The procedures for relief from double taxation pertain to U.S. federal tax returns for the years 2004 through 2010.

In non-U.S. jurisdictions, the years open to audit represent the years still open under the statute of limitations. With respect to major jurisdictions outside the United States, our subsidiaries are no longer subject to income tax audits for years before 2007.

8. Financial instruments and risk concentration

Financial instruments

We hold derivative financial instruments such as forward foreign currency exchange contracts, the fair value of which was not material as of December 31, 2014. Our forward foreign currency exchange contracts outstanding as of December 31, 2014, had a notional value of \$504 million to hedge our non-U.S. dollar net balance sheet exposures, including \$183 million to sell Japanese yen, \$163 million to sell euros and \$29 million to sell British pound sterling. Prior to the second quarter of 2013, we also held interest rate swaps. See Note 12 for more details.

Our investments in cash equivalents, short-term investments and certain long-term investments, as well as our postretirement plan assets and deferred compensation liabilities, are carried at fair value. 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 as measured using broker-dealer quotes, which are Level 2 inputs. See Note 9 for a description of fair value and the definition of Level 2 inputs.

Risk concentration

We are subject to counterparty risk from financial institutions, customers and issuers of debt securities. Financial instruments that could subject us to concentrations of credit risk are primarily cash deposits, cash equivalents, short-term investments and accounts receivable. 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 cash deposits and financial derivative contracts to financial institutions with investment-grade ratings.

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 allowances for expected returns, disputes, adjustments, incentives and collectability. These allowances are deducted from accounts receivable on our Consolidated Balance Sheets.

Details of these accounts receivable allowances are as follows:

	2014	2013	2012
Balance, January 1	\$ 22	\$ 31	\$ 19
Additions charged (credited) to operating results	(9)	(9)	12
Recoveries and write-offs, net	(1)	—	—
Balance, December 31	<u>\$ 12</u>	<u>\$ 22</u>	<u>\$ 31</u>

9. Valuation of debt and equity investments and certain liabilities

Debt and equity investments

We classify our investments as either 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 or broker quotes. 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 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.

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 are as follows:

	December 31, 2014			December 31, 2013		
	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	\$ 522	\$ —	\$ —	\$ 500	\$ —	\$ —
Corporate obligations	97	390	—	123	217	—
U.S. Government agency and Treasury securities	365	1,952	—	787	1,985	—
Trading securities						
Mutual funds	—	—	185	—	—	179
Total	984	2,342	185	1,410	2,202	179
Other measurement basis:						
Equity-method investments	—	—	27	—	—	24
Cost-method investments	—	—	12	—	—	13
Cash on hand	215	—	—	217	—	—
Total	\$ 1,199	\$ 2,342	\$ 224	\$ 1,627	\$ 2,202	\$ 216

At December 31, 2014 and 2013, we had no significant unrealized gains or losses associated with our available-for-sale investments. We did not recognize any credit losses related to available-for-sale investments for the years ended December 31, 2014, 2013 and 2012.

For the years ended December 31, 2014, 2013 and 2012, the proceeds from sales, redemptions and maturities of short-term available-for-sale investments were \$2.97 billion, \$4.25 billion and \$2.20 billion, 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, 2014:

Due	Fair Value
One year or less	\$ 3,121
One to two years	205

Gross realized gains and losses from sales of long-term investments were not significant for 2014, 2013 and 2012. Other-than-temporary declines and impairments in the values of these investments recognized in OI&E were not material in 2014, and were \$5 million and \$7 million in 2013 and 2012, 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. We utilize a third-party data service to provide Level 2 valuations. We verify 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.

The following are our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2014 and 2013. We had no Level 3 assets or liabilities as of December 31, 2014 and 2013. 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, 2014	Level 1	Level 2
Assets:			
Money market funds	\$ 522	\$ 522	\$ —
Corporate obligations	487	—	487
U.S. Government agency and Treasury securities	2,317	1,762	555
Mutual funds	185	185	—
Total assets	<u>\$ 3,511</u>	<u>\$ 2,469</u>	<u>\$ 1,042</u>
Liabilities:			
Deferred compensation	\$ 202	\$ 202	\$ —
Total liabilities	<u>\$ 202</u>	<u>\$ 202</u>	<u>\$ —</u>

	Fair Value		
	December 31, 2013	Level 1	Level 2
Assets:			
Money market funds	\$ 500	\$ 500	\$ —
Corporate obligations	340	—	340
U.S. Government agency and Treasury securities	2,772	2,107	665
Mutual funds	179	179	—
Total assets	<u>\$ 3,791</u>	<u>\$ 2,786</u>	<u>\$ 1,005</u>
Liabilities:			
Deferred compensation	\$ 197	\$ 197	\$ —
Total liabilities	<u>\$ 197</u>	<u>\$ 197</u>	<u>\$ —</u>

10. Goodwill and acquisition-related intangibles

The following table summarizes goodwill, net, by segment for the years ended December 31, 2014 and 2013.

	Goodwill
Analog	\$ 4,158
Embedded Processing	172
Other	32
Total	\$ 4,362

We perform our annual goodwill impairment test as of October 1 and determine whether the fair value of each of our reporting units is in excess of its carrying value. Determination of fair value is based upon management estimates and judgment, using unobservable inputs in discounted cash flow models to calculate the fair value of each reporting unit. These unobservable inputs are considered Level 3 measurements. For the years ended December 31, 2014 and 2013, we determined no impairment was indicated. See Note 9 for additional information.

In November 2012, as a result of unsuccessful efforts to divest certain Wireless product lines and the subsequent decision to restructure and wind down those product lines, we reassessed the recoverability of the goodwill associated with the former Wireless segment. As a result, we recognized a non-cash, non-tax deductible impairment charge of \$90 million for that goodwill. We recognized this impairment in Restructuring charges/other in the Consolidated Statements of Income, as discussed in Note 4. As of December 31, 2014 and 2013, the accumulated impairment of goodwill was \$90 million.

The components of acquisition-related intangible assets as of December 31, 2014 and 2013, are as follows:

Acquisition-Related Intangibles	Amortization Period (Years)	December 31, 2014			December 31, 2013		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Developed technology	5 - 10	\$ 2,135	\$ 714	\$ 1,421	\$ 2,157	\$ 526	\$ 1,631
Customer relationships	8	810	330	480	821	239	582
Other intangibles	5	3	2	1	5	3	2
In-process R&D	n/a	—	n/a	—	8	n/a	8
Total		\$ 2,948	\$ 1,046	\$ 1,902	\$ 2,991	\$ 768	\$ 2,223

Amortization of acquisition-related intangibles was \$321 million, \$336 million and \$342 million for 2014, 2013 and 2012, respectively, primarily related to developed technology. Fully amortized assets are written off against accumulated amortization. Future estimated amortization of acquisition-related intangibles for the years ended December 31 is as follows:

	Amortization of Acquisition-Related Intangibles
2015	\$ 319
2016	319
2017	318
2018	318
2019	288
Thereafter	340

11. Postretirement benefit plans

Plan descriptions

We have various employee retirement plans, including defined contribution, defined benefit and retiree health care benefit plans. For qualifying employees, we offer deferred compensation arrangements.

U.S. retirement plans

Our principal retirement plans in the U.S. are a defined contribution plan; an enhanced defined contribution plan; and qualified and non-qualified defined benefit pension plans. The defined benefit plans were closed to new participants in 1997, and current participants were allowed to make a one-time election to continue accruing a benefit in the plans, or to cease accruing a benefit and instead to participate in the enhanced defined contribution plan described below.

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, 2014 and 2013, as a result of employees' elections, TI's U.S. defined contribution plans held shares of TI common stock totaling 14 million shares and 15 million shares valued at \$740 million and \$678 million, respectively. Dividends paid on these shares for 2014 and 2013 were \$19 million and \$18 million, respectively.

Our aggregate expense for the U.S. defined contribution plans was \$60 million in 2014, \$62 million in 2013 and \$70 million in 2012.

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. 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, 2014 and 2013, as a result of employees' elections, TI's non-U.S. defined contribution plans held TI common stock valued at \$17 million and \$15 million, respectively. Dividends paid on these shares of TI common stock for 2014 and 2013 were not material.

Effects on the Consolidated 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		
	2014	2013	2012	2014	2013	2012	2014	2013	2012
Service cost	\$ 21	\$ 26	\$ 24	\$ 4	\$ 5	\$ 5	\$ 39	\$ 41	\$ 45
Interest cost	45	45	44	22	20	25	68	61	75
Expected return on plan assets	(42)	(48)	(50)	(20)	(24)	(23)	(80)	(67)	(78)
Amortization of prior service cost (credit)	—	1	1	4	4	3	(2)	(3)	(4)
Recognized net actuarial loss	26	21	16	7	11	13	24	31	41
Net periodic benefit costs	50	45	35	17	16	23	49	63	79
Settlement losses (a) (b)	5	41	—	—	—	—	1	4	193
Curtailment gain	—	—	—	—	—	(1)	(2)	(7)	—
Special termination benefit gains (b)	—	—	(1)	—	—	—	—	—	(337)
Total, including other postretirement losses (gains)	\$ 55	\$ 86	\$ 34	\$ 17	\$ 16	\$ 22	\$ 48	\$ 60	\$ (65)

(a) Includes non-restructuring and restructuring-related settlement losses.

(b) Transfer of Japan substitutional pension in 2012: In Japan, we maintain employee pension fund plans (EPFs) pursuant to the Japanese Welfare Pension Insurance Law (JWPIL). An EPF consists of two portions: a substitutional portion based on JWPIL-determined minimum old-age pension benefits similar to Social Security benefits in the United States and a corporate portion established at the discretion of each employer. Employers and employees are exempt from contributing to the Japanese Pension Insurance (JPI) if the substitutional portion is funded by an EPF.

The JWPIL was amended to permit each EPF to separate the substitutional portion and transfer those obligations and related assets to the government of Japan. After such a transfer, the employer is required to contribute periodically to JPI, and the government of Japan is responsible for future benefit payments relating to the substitutional portion.

During the third quarter of 2012, our EPF received final approval for such a separation and transferred the obligations and assets of its substitutional portion to the government of Japan. On a pre-tax basis, this resulted in a net gain of \$144 million recorded in Restructuring charges/other on our Consolidated Statements of Income and included in Other, as shown in Note 4. This net gain of \$144 million consisted of two parts - a gain of \$337 million, representing the difference between the fair values of the obligations settled of \$533 million and the assets transferred from the pension trust to the government of Japan of \$196 million, offset by a settlement loss of \$193 million related to the recognition of previously unrecognized actuarial losses included in AOCI.

For the U.S. qualified pension and retiree health care plans, the expected return on 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 is the fair value adjusted by 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	
	2014	2013	2014	2013	2014	2013
Change in plan benefit obligation:						
Benefit obligation at beginning of year	\$ 955	\$ 1,098	\$ 472	\$ 509	\$ 2,276	\$ 2,414
Service cost	21	26	4	5	39	41
Interest cost	45	45	22	20	68	61
Participant contributions	—	—	19	18	5	1
Benefits paid	(66)	(9)	(45)	(47)	(84)	(81)
Medicare subsidy	—	—	4	3	—	—
Actuarial loss (gain)	133	(27)	37	(36)	275	96
Settlements	(12)	(178)	—	—	(7)	(30)
Curtailments	—	—	—	—	(11)	(28)
Effects of exchange rate changes	—	—	—	—	(245)	(237)
Other	—	—	—	—	—	39
Benefit obligation at end of year (BO)	\$ 1,076	\$ 955	\$ 513	\$ 472	\$ 2,316	\$ 2,276
Change in plan assets:						
Fair value of plan assets at beginning of year	\$ 941	\$ 1,071	\$ 485	\$ 517	\$ 2,179	\$ 2,218
Actual return on plan assets	132	1	24	41	295	201
Employer contributions (funding of qualified plans)	75	43	10	—	64	62
Employer contributions (payments for non-qualified plans)	12	13	—	—	—	—
Participant contributions	—	—	19	18	5	1
Benefits paid	(66)	(9)	(45)	(45)	(84)	(81)
Medicare subsidy	—	—	4	—	—	—
Settlements	(12)	(178)	—	—	(7)	(30)
Effects of exchange rate changes	—	—	—	—	(239)	(232)
Other	—	—	—	(46)	—	40
Fair value of plan assets at end of year (FVPA)	\$ 1,082	\$ 941	\$ 497	\$ 485	\$ 2,213	\$ 2,179
Funded status (FVPA – BO) at end of year	\$ 6	\$ (14)	\$ (16)	\$ 13	\$ (103)	\$ (97)

Amounts recognized on the Consolidated Balance Sheets as of December 31, 2014, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	\$ 72	\$ —	\$ 55	\$ 127
Accrued expenses and other liabilities	(9)	—	(6)	(15)
Underfunded retirement plans	(57)	(16)	(152)	(225)
Funded status (FVPA – BO) at end of year	\$ 6	\$ (16)	\$ (103)	\$ (113)

Amounts recognized on the Consolidated Balance Sheets as of December 31, 2013, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	\$ 44	\$ 16	\$ 70	\$ 130
Accrued expenses and other liabilities	(7)	—	(5)	(12)
Underfunded retirement plans	(51)	(3)	(162)	(216)
Funded status (FVPA – BO) at end of year	<u>\$ (14)</u>	<u>\$ 13</u>	<u>\$ (97)</u>	<u>\$ (98)</u>

Contributions to the plans meet or exceed all minimum funding requirements. We expect to contribute about \$100 million to our retirement benefit plans in 2015. The amounts shown for underfunded U.S. defined benefit plans were for non-qualified pension plans, which we do not fund because contributions to them are not tax deductible.

Accumulated benefit obligations, which are generally less than the projected benefit obligations as they exclude the impact of future salary increases, were \$968 million and \$882 million at December 31, 2014 and 2013, respectively, for the U.S. defined benefit plans, and \$2.15 billion and \$2.12 billion at December 31, 2014 and 2013, respectively, for the non-U.S. defined benefit plans.

The amounts recorded in AOCI for the years ended December 31, 2014 and 2013, 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 Credit	Net Actuarial Loss	Prior Service Cost	Net Actuarial Loss	Prior Service Credit	Net Actuarial Loss	Prior Service Credit
AOCI balance, net of taxes, December 31, 2013	\$ 149	\$ (2)	\$ 71	\$ 10	\$ 305	\$ (9)	\$ 525	\$ (1)
Changes in AOCI by category								
Adjustments	37	—	29	—	5	1	71	1
Recognized within Net income	(31)	3	(7)	(3)	(25)	—	(63)	—
Tax effect	(2)	(1)	(8)	1	6	—	(4)	—
Total change to AOCI	<u>4</u>	<u>2</u>	<u>14</u>	<u>(2)</u>	<u>(14)</u>	<u>1</u>	<u>4</u>	<u>1</u>
AOCI balance, net of taxes, December 31, 2014	<u>\$ 153</u>	<u>\$ —</u>	<u>\$ 85</u>	<u>\$ 8</u>	<u>\$ 291</u>	<u>\$ (8)</u>	<u>\$ 529</u>	<u>\$ —</u>

The estimated amounts of net actuarial loss and unrecognized prior service cost (credit) included in AOCI as of December 31, 2014, that are expected to be amortized into net periodic benefit cost over the next fiscal year are: \$19 million and none for the U.S. defined benefit plans; \$9 million and \$6 million for the U.S. retiree health care benefit plan; and \$22 million and (\$2) 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, 2014 and 2013, using the same three-level hierarchy of fair-value inputs described in Note 9.

	Fair Value December 31, 2014	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan				
Fixed income securities and cash equivalents	\$ 707	\$ —	\$ 707	\$ —
Equity securities	375	—	375	—
Other	—	—	—	—
Total	\$ 1,082	\$ —	\$ 1,082	\$ —

Assets of U.S. retiree health care plan				
Fixed income securities and cash equivalents	\$ 243	\$ 200	\$ 43	\$ —
Equity securities	254	—	254	—
Total	\$ 497	\$ 200	\$ 297	\$ —

Assets of non-U.S. defined benefit plans				
Fixed income securities and cash equivalents	\$ 1,608	\$ 430	\$ 1,178	\$ —
Equity securities	600	6	594	—
Other	5	—	—	5
Total	\$ 2,213	\$ 436	\$ 1,772	\$ 5

	Fair Value December 31, 2013	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan				
Fixed income securities and cash equivalents	\$ 607	\$ —	\$ 607	\$ —
Equity securities	297	—	297	—
Other	37	—	—	37
Total	\$ 941	\$ —	\$ 904	\$ 37

Assets of U.S. retiree health care plan				
Fixed income securities and cash equivalents	\$ 238	\$ 193	\$ 45	\$ —
Equity securities	247	—	247	—
Total	\$ 485	\$ 193	\$ 292	\$ —

Assets of non-U.S. defined benefit plans				
Fixed income securities and cash equivalents	\$ 1,521	\$ 397	\$ 1,124	\$ —
Equity securities	650	6	644	—
Other	8	—	—	8
Total	\$ 2,179	\$ 403	\$ 1,768	\$ 8

The investments in our major benefit plans largely consist of low-cost, broad-market index funds to mitigate risks of concentration within market sectors. Our investment policy is designed to better match 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 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 for the periods presented are private equity limited partnerships in our U.S. pension plan, which were sold in 2014, and a diversified property fund 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, 2014 and 2013:

	Level 3 Plan Assets	
	U.S. Defined Benefit	Non-U.S. Defined Benefit
Balance, December 31, 2012	\$ 37	\$ 19
Redemptions	—	(10)
Unrealized loss	—	(1)
Balance, December 31, 2013	37	8
Redemptions and sales	(45)	(2)
Unrealized gain (loss)	8	(1)
Balance, December 31, 2014	\$ —	\$ 5

Assumptions and investment policies

	Defined Benefit		U.S. Retiree Health Care	
	2014	2013	2014	2013
Weighted average assumptions used to determine benefit obligations:				
U.S. discount rate	4.23%	5.11%	4.07%	4.83%
Non-U.S. discount rate	2.34%	3.01%		
U.S. average long-term pay progression	3.30%	3.50%		
Non-U.S. average long-term pay progression	3.27%	3.11%		
Weighted average assumptions used to determine net periodic benefit cost:				
U.S. discount rate	5.11%	4.59%	4.83%	3.94%
Non-U.S. discount rate	3.01%	2.74%		
U.S. long-term rate of return on plan assets	5.25%	5.25%	4.50%	4.75%
Non-U.S. long-term rate of return on plan assets	3.75%	3.34%		
U.S. average long-term pay progression	3.50%	3.60%		
Non-U.S. average long-term pay progression	3.11%	3.01%		

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 United States, 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. 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
Fixed income securities and cash equivalents	65%	50%	60% - 100%
Equity securities	35%	50%	0% - 40%

We rebalance the plans' investments when they are not within the target allocation ranges.

Weighted average asset allocations as of December 31, are as follows:

Asset Category	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2014	2013	2014	2013	2014	2013
Fixed income securities and cash equivalents	65%	65%	49%	49%	73%	70%
Equity securities	35%	35%	51%	51%	27%	30%

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, 2014, we do not expect to return any of the defined benefit pension plans' assets to TI in the next 12 months.

The following table shows the benefits we expect to pay to participants from the plans in the next 10 years and assumes that retirement eligible participants take their benefits immediately. 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
2015	\$ 217	\$ 36	\$ (4)	\$ 76
2016	95	37	(4)	78
2017	91	39	(4)	82
2018	93	40	(5)	85
2019	93	40	(5)	89
2020 - 2024	435	194	(9)	501

Assumed health care cost trend rates for the U.S. retiree health care benefit plan at December 31 are as follows:

	2014	2013
Assumed health care cost trend rate for next year	7.0%	7.0%
Ultimate trend rate	5.0%	5.0%
Year in which ultimate trend rate is reached	2023	2022

A one percentage point increase or decrease in health care cost trend rates over all future periods would have increased or decreased the accumulated postretirement benefit obligation for the U.S. retiree health care benefit plan at December 31, 2014, by \$27 million or \$22 million, respectively. The service cost and interest cost components of 2014 plan expense would have increased or decreased by \$1 million.

Deferred compensation arrangements

We have a deferred compensation plan that 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, 2014, our liability to participants of the deferred compensation plans was \$202 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. As of December 31, 2014, we held \$185 million in mutual funds related to these plans that are recorded in Long-term investments on our Consolidated Balance Sheets, and serve as an economic hedge against changes in fair values of our other deferred compensation liabilities. We record changes in the fair value of the liability and the related investment in SG&A as discussed in Note 9.

12. Debt and lines of credit

Short-term borrowings

We maintain a line of credit to support commercial paper borrowings, if any, and to provide additional liquidity through bank loans. As of December 31, 2014, we had a variable-rate revolving credit facility from a consortium of investment-grade banks that allows us to borrow up to \$2 billion through March 2019. The interest rate on borrowings under this credit facility, if drawn, is indexed to the applicable London Interbank Offered Rate (LIBOR). As of December 31, 2014, our credit facility was undrawn and we had no commercial paper outstanding.

Long-term debt

In March 2014, we issued an aggregate principal amount of \$500 million of fixed-rate long-term debt, with \$250 million due in 2017 and \$250 million due in 2021. We incurred \$3 million of issuance and other related costs, which are being amortized to Interest and debt expense over the term of the debt. The proceeds of the offering were \$498 million, net of the original issuance discount and were used toward the repayment of the \$1.0 billion of debt that matured in May 2014.

In May 2013, we issued an aggregate principal amount of \$1.0 billion of fixed-rate long-term debt, with \$500 million due in 2018 and \$500 million due in 2023. We incurred \$6 million of issuance and other related costs that are being amortized to Interest and debt expense over the term of the debt. The proceeds of the offering were \$986 million, net of the original issuance discount and were used toward the repayment of \$1.5 billion of maturing debt, including floating-rate notes. In connection with this repayment, we settled a floating-to-fixed interest rate swap, associated with the maturing debt.

In August 2012, we issued an aggregate principal amount of \$1.5 billion of fixed-rate long-term debt, with \$750 million due in 2015 and \$750 million due in 2019. The proceeds of the offering were \$1.492 billion, net of the original issuance discount. We also incurred \$7 million of issuance and other related costs that are being amortized to Interest and debt expense over the term of the debt.

Long-term debt outstanding as of December 31, 2014 and 2013 is as follows:

	December 31,	
	2014	2013
Notes due 2014 at 1.375%	\$ —	\$ 1,000
Notes due 2015 at 3.95% (assumed with National acquisition)	250	250
Notes due 2015 at 0.45%	750	750
Notes due 2016 at 2.375%	1,000	1,000
Notes due 2017 at 6.60% (assumed with National acquisition)	375	375
Notes due 2017 at 0.875%	250	—
Notes due 2018 at 1.00%	500	500
Notes due 2019 at 1.65%	750	750
Notes due 2021 at 2.75%	250	—
Notes due 2023 at 2.25%	500	500
	<u>4,625</u>	<u>5,125</u>
Net unamortized premium	17	33
Current portion of long-term debt	<u>(1,001)</u>	<u>(1,000)</u>
Long-term debt	<u>\$ 3,641</u>	<u>\$ 4,158</u>

Interest and debt expense was \$94 million in 2014, \$95 million in 2013 and \$85 million in 2012. This was net of the amortization of the debt premium and other debt issuance costs. Cash payments for interest on long-term debt were \$102 million in both 2014 and 2013 and \$97 million in 2012. Capitalized interest was not material.

13. 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 \$113 million, \$120 million and \$124 million in 2014, 2013 and 2012, 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 payments.

Purchase commitments

Some of our purchase commitments entered in the ordinary course of business provide for minimum payments.

As of December 31, 2014, 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
2015	\$ 87	\$ 39	\$ 96
2016	66	27	52
2017	45	—	35
2018	33	—	14
2019	21	—	10
Thereafter	80	—	2

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 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 of 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.

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, 2014, we believe future payments related to these indemnity obligations will not have a material effect on our financial condition, results of operations or liquidity.

14. Supplemental financial information

Other Income (Expense), Net

	For Years Ended December 31,		
	2014	2013	2012
Interest income	\$ 7	\$ 10	\$ 8
Tax interest income (expense)	6	(10)	32
Net gains on investments	5	18	18
Other (a)	3	(1)	(11)
Total	\$ 21	\$ 17	\$ 47

(a) Includes lease income of approximately \$15 million per year, primarily from the purchaser of a former business. As of December 31, 2014, the aggregate amount of non-cancellable future lease payments to be received from these leases is \$51 million. These leases contain renewal options. Other also includes miscellaneous non-operational items such as losses related to former businesses, including settlements in 2012; gains and losses from currency exchange rate changes; and gains and losses from our derivative financial instruments, primarily forward foreign currency exchange contracts.

Prepaid Expenses and Other Current Assets

	December 31,	
	2014	2013
Prepaid taxes on intercompany inventory profits	\$ 693	\$ 667
Other prepaid expenses and current assets	157	196
Total	\$ 850	\$ 863

Property, Plant and Equipment at Cost

	Depreciable Lives (Years)	December 31,	
		2014	2013
Land	n/a	\$ 137	\$ 175
Buildings and improvements	5 - 40	2,801	2,913
Machinery and equipment	3 - 10	3,328	3,468
Total		\$ 6,266	\$ 6,556

Accrued Expenses and Other Liabilities

	December 31,	
	2014	2013
Customer incentive programs and allowances	\$ 101	\$ 143
Severance and related expenses	60	158
Other	337	350
Total	\$ 498	\$ 651

Accumulated Other Comprehensive Income (Loss), Net of Taxes

	December 31,	
	2014	2013
Postretirement benefit plans:		
Net actuarial loss	\$ (529)	\$ (525)
Prior service credit	—	1
Cash flow hedge derivative	(3)	(4)
Total	\$ (532)	\$ (528)

Details on amounts reclassified out of Accumulated other comprehensive income (loss), net of taxes to Net income

Our Consolidated Statements of Comprehensive Income include items that have been recognized within Net income during the years ended December 31, 2014 and 2013. The table below details where on the Consolidated Statements of Income these transactions are recorded.

Details about AOCI Components	For Years Ended December		Impact to Related Statement of Income Line
	2014	31, 2013	
Net actuarial gains (losses) of defined benefit plans:			
Recognized net actuarial loss and Settlement losses (a)	\$ 63	\$ 108	Increase to Pension expense (b)
Tax effect	(21)	(37)	Decrease to Provision for income taxes
Recognized within Net income, net of taxes	<u>\$ 42</u>	<u>\$ 71</u>	Decrease to Net income
Prior service cost of defined benefit plans:			
Amortization of prior service cost (credit) and Curtailment gain (a)	\$ —	\$ (5)	Decrease to Pension expense (b)
Tax effect	—	2	Increase to Provision for income taxes
Recognized within Net income, net of taxes	<u>\$ —</u>	<u>\$ (3)</u>	Increase to Net income
Derivative instruments:			
Amortization of treasury rate locks	\$ 2	\$ 2	Increase to Interest and debt expense
Tax effect	(1)	(1)	Decrease to Provision for income taxes
Recognized within Net income, net of taxes	<u>\$ 1</u>	<u>\$ 1</u>	Decrease to Net income

(a) Detailed in Note 11.

(b) Pension expense is included in COR, R&D, SG&A and Restructuring charges/other in the Consolidated Statements of Income.

15. Quarterly financial data (unaudited)

2014	Quarter			
	1st	2nd	3rd	4th
Revenue	\$ 2,983	\$ 3,292	\$ 3,501	\$ 3,269
Gross profit	1,607	1,881	2,044	1,895
Included in Operating profit:				
Acquisition charges	83	82	83	82
Restructuring charges/other	(11)	(4)	(9)	(27)
Operating profit	690	982	1,175	1,100
Net income	487	683	826	825
Earnings per common share:				
Basic earnings per common share	\$ 0.44	\$ 0.63	\$ 0.77	\$ 0.78
Diluted earnings per common share	0.44	0.62	0.76	0.76

2013	Quarter			
	1st	2nd	3rd	4th
Revenue	\$ 2,885	\$ 3,047	\$ 3,244	\$ 3,028
Gross profit	1,374	1,570	1,779	1,640
Included in Operating profit:				
Acquisition charges	86	86	86	84
Restructuring charges/other	15	(282)	16	62
Operating profit	395	906	844	687
Net income	362	660	629	511
Earnings per common share:				
Basic earnings per common share	\$ 0.32	\$ 0.59	\$ 0.56	\$ 0.46
Diluted earnings per common share	0.32	0.58	0.56	0.46

Report of independent registered public accounting firm

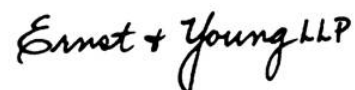
The Board of Directors and Stockholders
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheets of Texas Instruments Incorporated and subsidiaries (the Company) as of December 31, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, 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, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2015, expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Dallas, Texas
February 24, 2015

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

Not applicable.

ITEM 9A. Controls and Procedures.

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

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. There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the fourth quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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, 2014. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria) in Internal Control – Integrated Framework. Based on our assessment we believe that, as of December 31, 2014, 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.

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, 2014, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (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.

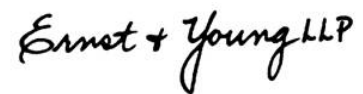
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material 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.

In our opinion, Texas Instruments Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, 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, 2014 and 2013, 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, 2014, and our report dated February 24, 2015, expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Dallas, Texas
February 24, 2015

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 2015 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 2015 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 2015 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 Finance 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 2015 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 2015 annual meeting of stockholders is incorporated herein by reference to such proxy statement, provided that the Compensation Committee report shall not be deemed filed with this Form 10-K.

The information contained under the caption "Compensation committee interlocks and insider participation" in our proxy statement for the 2015 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, 2014:

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	66,347,238 ⁽¹⁾	\$32.94 ⁽²⁾	85,231,008 ⁽³⁾
Equity compensation plans not approved by security holders	9,114,448 ⁽⁴⁾	\$32.84 ⁽²⁾	0
Total	75,461,686 ⁽⁵⁾	\$32.92	85,231,008

(1) Includes shares of TI common stock to be issued under the Texas Instruments 2003 Director Compensation Plan (the “2003 Director Plan”), the Texas Instruments 2009 Long-Term Incentive Plan (the “2009 LTIP”) and predecessor stockholder-approved plans, the Texas Instruments 2009 Director Compensation Plan (the “2009 Director Plan”) and the TI Employees 2014 Stock Purchase Plan (the “2014 ESPP”). Also includes 283,825 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.

(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 future issuance under the 2009 LTIP, the 2009 Director Plan and the 2014 ESPP. 44,467,438 shares remain available for future issuance under the 2009 LTIP and 1,573,235 shares remain available for future issuance under the 2009 Director Plan. Under the 2009 LTIP and the 2009 Director Plan, shares may be granted in the form of restricted stock units, options or other stock-based awards such as restricted stock.

(4) Includes shares to be issued under the Texas Instruments 2003 Long-Term Incentive Plan (the “2003 LTIP”). The 2003 LTIP was replaced by the 2009 LTIP, which was approved by stockholders. No further grants may be made under the 2003 LTIP. Only non-management employees were eligible to receive awards under the 2003 LTIP. The 2003 LTIP authorized the grant of shares in the form of restricted stock units, options or other stock-based awards such as restricted stock. The plan is administered by a committee of independent directors (the Committee). The Committee had the sole discretion to grant to eligible participants one or more equity awards and to determine the number or amount of any award. Except in the case of awards made through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, and except as a result of an adjustment event such as a stock split, the exercise price under any stock option, the grant price of any stock appreciation right, and the purchase price of any security that could be purchased under any other stock-based award under the 2003 LTIP could not be less than 100 percent of the fair market value of the stock or other security on the effective date of the grant of the option, right or award.

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

(5) Includes 57,647,446 shares for issuance upon exercise of outstanding grants of options, 17,303,815 shares for issuance upon vesting of outstanding grants of restricted stock units, 374,703 shares for issuance under the 2014 ESPP and 135,722 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 2015 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 2015 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 2015 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 2015 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

The financial statements are listed in the index included in Item 8, “Financial Statements and Supplementary Data.”

Designation of Exhibit in this Report	Description of Exhibit
3(a)	Restated Certificate of Incorporation of the Registrant, dated April 18, 1985, as amended. †
3(b)	By-Laws of the Registrant. †
4(a)	Indenture (incorporated by reference to Exhibit 4.2 to the Registrant’s Current Report on Form 8-K filed May 23, 2011).
4(b)	Officer’s Certificate (incorporated by reference to Exhibit 4.3 to the Registrant’s Current Report on Form 8-K filed May 23, 2011).
4(c)	Officer’s Certificate (incorporated by reference to Exhibit 4.2 of the Registrant’s Report on Form 8-K filed August 6, 2012).
4(d)	Officer’s Certificate (incorporated by reference to Exhibit 4.2 of the Registrant’s Report on Form 8-K filed May 8, 2013).
4(e)	Officer’s Certificate (incorporated by reference to Exhibit 4.2 of the Registrant’s Report on Form 8-K filed March 12, 2014).
4(f)	The Registrant has omitted certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). The Registrant undertakes to furnish a copy of such instruments to the Securities and Exchange Commission upon request.
10(a)	TI Deferred Compensation Plan, as amended. *†
10(b)(i)	TI Employees Non-Qualified Pension Plan (formerly named the TI Employees Supplemental Pension Plan), effective January 1, 1998 (incorporated by reference to Exhibit 10(b)(i) of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011).*
10(b)(ii)	First Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), effective January 1, 2000 (incorporated by reference to Exhibit 10(b)(ii) of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011).*
10(b)(iii)	Second Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated June 21, 2002 (incorporated by reference to Exhibit 10(b)(iii) of the Registrant’s Annual Report on Form 10-K for the year ended December 31, 2011).*

Designation of Exhibit in this Report	Description of Exhibit
10(b)(iv)	Third Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated July 16, 2002 (incorporated by reference to Exhibit 10 (b)(iv) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).*
10(b)(v)	Fourth Amendment to TI Employees Non-Qualified Pension Plan (formerly named the TI Supplemental Pension Plan), dated November 21, 2003 (incorporated by reference to Exhibit 10(b)(v) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).*
10(c)	TI Employees Non-Qualified Pension Plan II. **†
10(d)	Texas Instruments Long-Term Incentive Plan, adopted April 15, 1993 (incorporated by reference to Exhibit 10(c) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).*
10(e)	Texas Instruments 2000 Long-Term Incentive Plan as amended October 16, 2008. **†
10(f)	Texas Instruments 2003 Long-Term Incentive Plan as amended October 16, 2008. †
10(g)	Texas Instruments Executive Officer Performance Plan as amended September 17, 2009. **†
10(h)	Texas Instruments Restricted Stock Unit Plan for Directors, as amended, dated April 16, 1998 (incorporated by reference to Exhibit 10(h) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).
10(i)	Texas Instruments Directors Deferred Compensation Plan, as amended, dated April 16, 1998 (incorporated by reference to Exhibit 10(i) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2011).
10(j)	Texas Instruments 2003 Director Compensation Plan as amended January 19, 2012. †
10(k)	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, 2012).*
10(l)	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, 2012).*
10(m)	Texas Instruments 2009 Long-Term Incentive Plan as amended January 19, 2012. †
10(n)	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 filed December 7, 2010).
10(o)	Agreement and Plan of Merger (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed April 4, 2011).
12	Ratio of Earnings to Fixed Charges. †
21	List of Subsidiaries of the Registrant. †
23	Consent of Independent Registered Public Accounting Firm. †
31(a)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer. †
31(b)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer. †
32(a)	Section 1350 Certification of Chief Executive Officer. †
32(b)	Section 1350 Certification of Chief Financial Officer. †
101.ins	Instance Document †
101.sch	XBRL Taxonomy Schema †
101.cal	XBRL Taxonomy Calculation Linkbase †
101.Def	XBRL Taxonomy Definitions Document †
101.lab	XBRL Taxonomy Labels Linkbase †
101.pre	XBRL Taxonomy Presentation Linkbase †

* Management compensation plans and arrangements.

† Filed or furnished herewith.

Notice regarding forward-looking statements

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 markets such as personal electronics and communications equipment;
- 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, communications and information technology networks and fluctuations in foreign currency exchange rates;
- Natural events such as health epidemics, 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;
- Compliance with or changes in the complex laws, rules and regulations to which TI is or may become subject, or actions of enforcement authorities, that restrict our ability to manufacture our products or operate our business, or subject us to fines, penalties, or other legal liability;
- Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- Financial difficulties of our distributors or their promotion of competing product lines to TI’s detriment;
- A loss suffered by a customer or distributor of TI with respect to TI-consigned inventory;
- 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, recalls by TI customers for a product containing a TI part or other legal proceedings;
- TI’s ability to recruit and retain skilled personnel;
- Timely implementation of new manufacturing technologies and 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;
- TI’s ability to successfully integrate and realize opportunities for growth from acquisitions, and our ability to realize our expectations regarding the amount and timing of restructuring charges and associated cost savings; and
- Breaches of our information technology systems or those of our customers or suppliers.

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.

SIGNATURES

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, 2015

Each person whose signature appears below constitutes and appoints each of Richard K. Templeton, Kevin P. March, Joseph F. Hubach and Cynthia Hoff Trochu, 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, 2014, 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 2015.

Signature	Title
_____ /s/ Ralph W. Babb, Jr.	
Ralph W. Babb, Jr.	Director
_____ /s/ Mark A. Blinn	
Mark A. Blinn	Director
_____ /s/ Daniel A. Carp	
Daniel A. Carp	Director
_____ /s/ Carrie S. Cox	
Carrie S. Cox	Director
_____ /s/ Ronald Kirk	
Ronald Kirk	Director
_____ /s/ Pamela H. Patsley	
Pamela H. Patsley	Director
_____ /s/ Robert E. Sanchez	
Robert E. Sanchez	Director

Signature
/s/ Wayne R. Sanders
Wayne R. Sanders
/s/ Ruth J. Simmons
Ruth J. Simmons
/s/ Richard K. Templeton
Richard K. Templeton
/s/ Christine Todd Whitman
Christine Todd Whitman
/s/ Kevin P. March
Kevin P. March

Title
Director
Director
Chairman of the Board; Director; President and Chief Executive Officer
Director
Senior Vice President; Chief Financial Officer; Chief Accounting Officer

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 participations or benefits.

SIXTH: No person shall be liable to the Company for any loss or damage suffered by it on account of any action taken or omitted to be taken by him in good faith as a director, member of a directors' committee or officer of the Company, if such person exercised or used the same degree of care and skill as a prudent man would have exercised

or used under the circumstances in the conduct of his own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if he took or omitted to take such action in reliance in good faith upon advice of counsel for the Company, or the books of account or other records of the Company, or reports or information made or furnished to the Company by any officials, accountants, engineers, agents or employees of the Company, or by an independent public accountant or auditor, engineer, appraiser or other expert employed by the Company and selected with reasonable care by the board of directors, by any such committee or by an authorized officer of the Company.

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

TEXAS INSTRUMENTS INCORPORATED

(Corporate Seal)

By /s/ MARK SHEPHERD, JR.
Chairman of the Board

ATTEST:

By /s/ Richard J. Agnich
Secretary

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

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

DOES HEREBY CERTIFY:

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

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

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

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

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

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

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

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS
Title: President

Attested:

By: /s/ Richard J. Agnich
Title: Secretary

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

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

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

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

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

TEXAS INSTRUMENTS INCORPORATED

By: /s/ M.M. LANE
Vice President

ATTEST:

By /s/ Richard J. Agnich
Secretary

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

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

DOES HEREBY CERTIFY:

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

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

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

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

TEXAS INSTRUMENTS INCORPORATED

By: /s/ JERRY R. JUNKINS
Title: President

Attested:

By /s/ Richard J. Agnich
Title: Secretary

CERTIFICATE OF 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 PreferredTM 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
Richard J. Agnich
Senior Vice President

ATTEST:

By /s/ O. Wayne Coon
O. Wayne Coon
Assistant Secretary

CERTIFICATE OF OWNERSHIP AND MERGER
MERCING
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 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 AND MERGER
MERCING
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, 1996.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ William A. Aylesworth
Name: William A. Aylesworth
Title: Senior Vice President, Treasurer & CFO

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 One Billion Two Hundred Ten Million (1,210,000,000) shares, of which Ten Million (10,000,000) shall be Preferred Stock with a par value of \$25.00 per share, and One Billion Two Hundred Million (1,200,000,000) 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, President and Chief Executive Officer, this 16th day of April, 1998.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Thomas J. Engibous
Thomas J. Engibous, President and
Chief Executive Officer

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

ATTEST:

By /s/ O. Wayne Coon
O. Wayne Coon
Assistant Secretary

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 distributions 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

**CERTIFICATE OF OWNERSHIP AND MERGER
MERCING
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 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 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
MERCING
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
MERCING
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
MERCING
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
MERCING
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

CERTIFICATE OF OWNERSHIP AND MERGER
MERCING
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

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.

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

CERTIFICATE OF OWNERSHIP AND MERGER
MERCING
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
MERCING
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.

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

CERTIFICATE OF ELIMINATION
OF
SERIES B PARTICIPATING CUMULATIVE PREFERRED STOCK

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 General Corporation Law 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 23, 1998, 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 Series B Participating Cumulative Preferred Stock.
2. That no shares of said Series B Participating Cumulative Preferred Stock are outstanding and no shares thereof will be issued.
3. That at a meeting of the Board of Directors of Texas Instruments Incorporated, 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 Series B Participating Cumulative Preferred Stock, as established by a Certificate of Designation filed in the office of the Secretary of State of Delaware on June 23, 1998, 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 Series B Participating Cumulative

Preferred Stock be, and they hereby are, 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 Joseph F. Hubach, its Senior Vice President, Secretary and General Counsel, and attested by Cynthia H. Haynes, its Assistant Secretary, as of this 20th day of June, 2008.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Joseph F. Hubach
Joseph F. Hubach
Senior Vice President, Secretary
and General Counsel

ATTEST:

By: /s/ Cynthia H. Haynes
Cynthia H. Haynes
Assistant Secretary

BY-LAWS
of
TEXAS INSTRUMENTS INCORPORATED

ARTICLE I
Offices

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be at 100 West Tenth Street, in the City of Wilmington, County of New Castle, and the name of the registered agent in charge thereof is The Corporation Trust Company.

Section 2. Other Offices. The Corporation may also have a general office in the City of Dallas, State of Texas, and may also have such other office or offices, either within or without the State of Delaware, as the Board of Directors may from time to time appoint or as the business of the Corporation may require.

ARTICLE II
Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of the stockholders of the Corporation shall be held on the third Thursday in April in each year or on such other date as may be fixed from time to time by the Board of Directors, at such hour as may be specified in the notice thereof, for the purpose of electing directors and for the transaction of such other business as may properly be brought before such meeting. If any annual meeting shall not be held on the day designated or as provided herein, the Board of Directors shall cause the meeting of the stockholders to be held as soon thereafter as convenient for the election of such directors. A failure to hold the annual meeting of the stockholders at the designated time or to elect a sufficient number of directors to conduct the business of the Corporation shall not affect otherwise valid corporate acts and shall not work any forfeiture or dissolution of the Corporation.

Section 2. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, may be called at any time by the Chairman of the Board, President or the Board of Directors, and shall be called by the Chairman of the Board, President or the Secretary at the request in writing of a majority of the Board of Directors, except as otherwise provided by law or in the Certificate of Incorporation or any amendment thereto.

Section 3. Place of Meeting. All meetings of the stockholders for the election of directors shall be held in the City of Dallas, State of Texas, at such place within such City as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. All other meetings of the stockholders shall be held at such places, within or without the State of Delaware, as may from time to time be fixed by the Board of Directors or as shall be specified or fixed in the respective notices or waivers of notice thereof.

Section 4. Notice of Meetings. Except as otherwise expressly required by law or by these By-Laws, notice of each meeting of the stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder of record of the Corporation entitled to vote at such meeting by delivering a written or printed notice thereof to him personally or by depositing such notice in the United States mail postage prepaid, directed to the stockholder at his address as it appears upon the records of the Corporation. Every such notice shall state the place, date and hour of

the meeting and, if the meeting be special, briefly, the purpose or purposes thereof. Except when expressly required by law, no publication of any notice of a meeting of the stockholders shall be required; and except when expressly required by law, no notice of any adjourned meeting of the stockholders of the Corporation need be given.

Section 5. Quorum. At all meetings of the stockholders (except where otherwise provided by law, by the Certificate of Incorporation or by these By-Laws) stockholders holding of record a majority of the shares of stock of the Corporation issued and outstanding and entitled to vote thereat, present in person or by proxy, shall constitute a quorum for the transaction of business. Except as otherwise expressly provided by law, in the absence of a quorum at any such meeting or any adjournment or adjournments thereof, a majority in voting interest of those present in person or by proxy and voting thereon may adjourn such meeting from time to time, until a quorum shall be present, without notice other than announcement at the meeting, except that if the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting. At any adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting as originally called. The absence from any meeting of stockholders holding the number of shares of stock of the Corporation having voting powers required by the laws of the State of Delaware or by the Certificate of Incorporation or by these By-Laws for action upon any given matter shall not prevent action at such meeting upon any other matter or matters which may properly come before the meeting, if there shall be present thereat in person or by proxy stockholders entitled to vote thereat holding the number of shares of stock of the Corporation having voting power required in respect of such other matter or matters.

Section 6. Voting. Except as otherwise expressly provided by law or by the Certificate of Incorporation or by these By-Laws, each stockholder of the Corporation shall, at each meeting of the stockholders, be entitled to one vote in person or by proxy for each share of the stock of the Corporation having voting powers held by him and registered in his name on the books of the Corporation on the date fixed pursuant to the provisions of Section 5 of Article IX of these By-Laws as the record date for the determination of stockholders who shall be entitled to notice of and to vote at such meeting. Shares of its own stock belonging to the Corporation, or to another corporation if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall not be voted nor counted for quorum purposes. At all meetings of the stockholders all matters except those the manner of deciding upon which shall otherwise be expressly regulated by law or by the Certificate of Incorporation or by these By-Laws, shall be decided by the vote of a majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat, a quorum being present. The vote for directors, and upon the demand of any stockholder, the vote upon any question before the meeting shall be by written ballot.

Section 7. List of Stockholders. It shall be the duty of the Secretary or other officer of the Corporation who shall have charge of its stock ledger, either directly or through a transfer agent or transfer clerk appointed by the Board of Directors, to prepare and make, at least ten (10) days before every meeting of the stockholders a complete alphabetically arranged list of the stockholders showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by this section or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 8. Inspectors. Prior to each meeting of the stockholders, two Inspectors shall be appointed by the Board of Directors, or, if no such appointment shall have been made, such Inspectors shall be appointed by the Chairman of the meeting, to act thereat. Each Inspector so appointed shall first subscribe an oath or affirmation faithfully to execute the duties of an inspector at such meeting with strict impartiality and according to the best of his ability.

Such Inspectors shall take charge of the ballots at such meeting and after the balloting thereat on any question shall count the ballots cast thereon and shall make a report in writing to the secretary of such meeting of the results thereof. The Inspectors need not be stockholders of the Corporation, and any officer of the Corporation may be an Inspector on any question other than a vote for or against his election to any position with the Corporation or on any other question in which he may be directly interested other than as a stockholder.

Section 9. Nomination of Directors; Notice of Stockholder Nominees. Except as provided in Section 6 of Article III of these By-Laws, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the Company may be made at an annual meeting of stockholders (a) by or at the direction of the Board of Directors or (b) by any stockholder of the Company entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 9 of Article II. Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Company. To be timely, a stockholder's notice shall be delivered to or mailed and received at the principal executive offices of the Company not less than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 70 days, from such anniversary date, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice to the Secretary shall set forth (a) as to each person whom the stockholder proposes to nominate for election or re-election as a director, (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class and number of shares of stock of the Company which are beneficially owned by the person, (iv) the person's written consent to serve as a director if elected, and (v) any other information relating to the person that would be required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and (b) as to the stockholder giving the notice, (i) the name and address of the stockholder and the beneficial owner, if any, on whose behalf the nomination is made, (ii) the class and number of shares of stock of the Company which are beneficially owned by the stockholder and such beneficial owner, and (iii) whether the proponent intends or is part of a group which intends to solicit proxies from other stockholders in support of such nomination. The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the provisions of this Section 9 of Article II, and the defective nomination shall be disregarded.

Section 10. Business at Annual Meeting; Notice of Stockholder Business. To be properly brought before an annual meeting of stockholders, business must be either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, or (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors or by a stockholder. In

addition to any other applicable requirements, for business to be properly brought before the meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the Company not less than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days, or delayed by more than 70 days, from such anniversary date, notice by the stockholder to be timely must be so delivered not later than the close of business on the later of the ninetieth day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (i) a brief description of the business desired to be brought before the meeting and the reason for conducting such business at the meeting, (ii) the name and address of the stockholder and the beneficial owner, if any, proposing such business, (iii) the class and number of shares of stock of the Company which are beneficially owned by the stockholder and such beneficial owner, (iv) any material interest in such business of the stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and (v) whether the proponent intends or is part of a group which intends to solicit proxies from other stockholders in support of such proposal.

Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this Section 10 of Article II; provided, however, that nothing in this Section 10 of Article II shall be deemed to preclude discussion by any stockholder of any business properly brought before the meeting.

The Chairman of the annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 10 of Article II, and any such business shall not be transacted.

ARTICLE III

Board of Directors

Section 1. General Powers. The property, business and affairs of the Corporation shall be managed under the direction of the Board of Directors, who may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 2. Number, Term of Office and Qualifications. The number of directors which shall constitute the whole Board shall be twelve (12) until changed by further resolution of the Board of Directors of the Company. Directors need not be stockholders.

Section 3. Election of Directors. Except as provided in Section 6 of Article III of these By-Laws, the directors shall be elected by the vote of the majority of the shares represented in person or by proxy and entitled to vote thereon at the annual meeting of stockholders, a quorum being present, provided that if the number of nominees exceeds the number of directors to be elected, the directors shall be elected by a plurality vote of the stockholders present in person or by proxy and entitled to vote thereon at such meeting, a quorum being present. Except as provided by Section 6 of Article III of these By-Laws, the directors shall be elected annually, and each director shall continue in office until his successor shall have been elected and shall qualify or until his earlier death, resignation or removal from office, provided that no person shall be eligible for election or re-election as a director of the Corporation after attaining age seventy.

Section 4. Organization and Order of Business. At all meetings of the Board of Directors, the Chairman of the Board of Directors shall preside. In his absence, the President, or, in the absence of both of these

officers, a member of the Board of Directors chosen by a majority of the directors present thereat, shall act as Chairman of such meeting and preside thereat. The Secretary, or, in his absence, an Assistant Secretary, or, in the absence of all of them, any person appointed by the Chairman of the meeting, shall act as secretary of such meeting.

Section 5. Resignations. Any director of the Corporation may resign at any time by giving notice of his resignation to the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt by such Chairman of the Board, President or Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies and Increases. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office although less than a quorum, or by a sole remaining director. Any vacancy not filled in such manner may be filled by the stockholders at any special meeting of the stockholders called for that purpose.

Section 7. Emergency By-Laws and Other Powers in Emergency. During any emergency resulting from an attack on the United States, or during any nuclear or atomic disaster, or during the existence of any catastrophe, or other similar emergency conditions, as a result of which a quorum of the Board of Directors or a standing committee thereof cannot readily be convened for action, the following provisions shall be applicable:

(a) **Emergency Management Committee.** If a quorum of one or more committees created pursuant to Article IV of these By-Laws cannot readily be convened for action within their respective jurisdictions and a quorum of the Board of Directors cannot readily be convened to act, then all the powers and duties vested in the committee or committees or the Board of Directors so lacking a quorum shall vest, automatically, in the Emergency Management Committee, which shall consist of all readily available members of the Board of Directors. Two members shall constitute a quorum unless there is only one, in which case one shall constitute a quorum. Other provisions of these By-Laws notwithstanding, the Emergency Management Committee (1) shall call a meeting of the Board of Directors as soon as circumstances permit for the purpose of filling vacancies on the Board of Directors and its Committees and to take such other action as may be appropriate and (2) if the Emergency Management Committee determines that less than a majority of the members of the Board of Directors are available for service, shall issue a call for a special meeting of stockholders to be held at the earliest date practicable for the election of directors.

(b) If there are no remaining directors, the officers (not exceeding the number of directors then authorized) who have at that time the longest period of employment continuous to such date uninterrupted by leave of absence in the office or offices (in the following order) of (1) Executive Vice President, (2) Group Vice President, (3) Senior Vice President, (4) Vice President, and (5) Assistant Vice President, shall be deemed directors for any meeting of the Board of Directors until the termination of the emergency, or until a meeting of the stockholders can conveniently and safely be convened, whichever shall first occur. If two or more persons shall have been elected to the same office on the same day the person or persons to be deemed a director or directors shall be the person or persons with the longest continuous period of service uninterrupted by leave of absence with the Corporation.

(c) The Board of Directors, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such emergency any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties.

Section 8. Place of Meeting. The Board of Directors may hold its meetings at such place or places within or without the State of Delaware as the Board of Directors may from time to time by resolution determine, or as shall be specified or fixed in these By-Laws, or in the respective notices or waivers of notice thereof.

Section 9. Annual Meetings. After each annual election of directors the Board of Directors shall meet for the purpose of organization, the election of officers of the Corporation and the transaction of other business, as soon thereafter as practicable, at the place where the meeting of stockholders for the election of directors was held. Notice of such meeting or of any adjournment thereof need not be given. Such meeting may be held at any other time or place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors or in a waiver of notice thereof in accordance with these By-Laws.

Section 10. Regular Meetings. Regular meetings of the Board of Directors shall be held at such times as the Board of Directors shall, from time to time, by resolution, determine. If no other place be fixed by resolution for such regular meetings they shall be held at the general office of the Corporation in the City of Dallas, State of Texas. Except as otherwise provided by law or by these By-Laws, notices of regular meetings need not be given. The time and place of any regular meeting may be changed on three days' notice to each director, as in the manner provided for notice of special meetings of the Board of Directors, from the Chairman of the Board of Directors, the President, or the Secretary or an Assistant Secretary.

Section 11. Special Meetings; Notice. Special meetings of the Board of Directors, for any purpose or purposes, shall be held whenever called by the Chairman of the Board or the President. A special meeting shall be called by the Chairman of the Board, President or Secretary upon the written request of four directors, or such lesser number constituting one-half of the total number of directors at the time in office. A notice shall be given as hereinafter in this Section provided of each such special meeting, in which shall be stated the time and place of such meeting, but except as otherwise expressly provided by law or by these By-Laws, the purposes thereof need not be stated in such notice. Except as otherwise provided by law, notice of each such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, at least three days before the day on which such meeting is to be held, or shall be sent addressed to him at such place by telegraph, cable or wireless or be delivered personally or by telephone not later than the day before the day on which such meeting is to be held. Notice of any meeting of the Board need not, however, be given to any director, if waived by him at any time, whether before or after the meeting, in writing or by telegraph, cable or wireless, or if he shall be present at such meeting; and any special meeting of the Board shall be a legal meeting without any notice thereof having been given if all the directors of the Corporation then in office shall be present thereat.

Section 12. Quorum and Manner of Acting. At all meetings of the Board of Directors, one-third of the total number of directors shall constitute a quorum for the transaction of business; and, except as otherwise specified in Section 1 of Article IV, Section 4 of Article V, and Article XIV of these By-Laws, and except as may otherwise be expressly provided by law or by the Certificate of Incorporation, the act of a majority of the directors present shall be the act of the Board of Directors. Members of the Board of Directors may participate in any meeting of such Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in the meeting shall constitute presence in person at such meeting. In the absence of a quorum at any meeting, it may be adjourned, from time to time, until a quorum shall be present thereat. Notice of any adjourned meeting need not be given. The directors shall act only as a Board and the individual directors shall have no power as such.

Section 13. Compensation. The Board of Directors may at any time and from time to time by resolution provide that a specified sum shall be paid to any director of the Corporation or to any director member of any Committee who shall not otherwise be in the employ of the Corporation or of any subsidiary of the Corporation, either as his annual compensation as such director, member of such committee or as compensation for his attendance at any annual, regular, or special meeting of the Board or of such committee or other activities as a director; and the Board of Directors may also likewise provide that the Corporation shall reimburse each such director or member of such committee for any expenses paid by him on account of his attendance at any such meeting or his engaging in other activities as a director. Unless otherwise expressly provided by resolution adopted by the Board of Directors, none of the directors and none of the members of any committee of directors of the Corporation contemplated by these By-Laws or otherwise provided for by resolution of the Board of Directors shall, as such, receive any stated compensation for his services. Nothing in this Section shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE IV **Committees of Directors**

Section 1. Appointment of Committees. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more "Board Committees," each Committee to consist of one or more of the directors of the Corporation which, to the extent provided in the resolution or in the By-Laws of the Corporation, shall have and may exercise, as authorized by the Board, the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. The Board of Directors may designate one or more directors as an alternative member of any committee, who may replace any absent or disqualified member at any meeting of the Committee. Such Board Committee or Committees shall serve during the pleasure of the Board of Directors, and shall have such name or names as may be stated in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

In addition, the Board of Directors may, by resolution passed by a majority of the whole Board of Directors, designate one or more "Board Appointed Committees" consisting of one or more of the directors of the Corporation and such other members as it may designate to have such powers and duties as the Board of Directors may determine. No additional compensation shall be paid to such other members who are company executives in connection with their attendance at meetings of Board Appointed Committees. The term and names of such Board Appointed Committees shall be determined from time to time by resolution adopted by the Board of Directors.

Section 2. Procedure. A majority of all the members of any committee appointed pursuant to this Article IV may fix its rules of procedure, determine its action, and fix the time and place, within or without the State of Delaware, of its meetings, and specify what notice thereof, if any, shall be given, unless the Board of Directors shall otherwise by resolution provide. Unless the Board of Directors shall otherwise by resolution provide, the members of any committee appointed pursuant to this Article IV may participate in any meeting of such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in the meeting shall constitute presence in person at such meeting. The Board of Directors shall have power at any time to change the members of any such committee, to fill vacancies therein, and to discharge any such committee, either with or without cause.

Section 3. Minutes of Committee Proceedings. The Board Committees shall keep regular minutes of their proceedings and report the same to the Board of Directors when required.

ARTICLE V

Officers

Section 1. Officers. The officers of the Corporation shall include a Chairman of the Board of Directors and a President, who may be the same person, and there may be one or more Vice Chairmen of the Board of Directors, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, a Secretary, and a Treasurer, all of whom shall be subject to the control of the Board of Directors. The Board of Directors may designate a Chief Executive Officer and a Chief Operating Officer.

The Board of Directors may from time to time elect such other officers and agents as the Board may deem necessary or advisable, including one or more Assistant Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, a Controller and an Assistant Controller, each of which officers and agents shall be subject to the control of the Board of Directors and shall hold office for such period, have such authority and perform such duties as are provided in these By-Laws or as the Board of Directors or the President may from time to time determine.

Section 2. Election and Term of Office. Unless elected pursuant to Section 3 of this Article V, the officers of the Corporation shall be elected annually by the Board of Directors at the first meeting thereof held after the annual meeting of stockholders for the election of officers. Each officer shall hold office until his successor shall have been duly chosen and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Election by Board Committee or Officer. The Board of Directors may delegate to any officer or committee established by the Board of Directors the power to elect any officers and agents of the Corporation.

Section 4. Removal. Except where otherwise expressly provided in a contract duly authorized by the Board of Directors, all officers and agents of the Corporation, elected by the Board of Directors, may be removed, either with or without cause, at any time, by resolution adopted by a majority of the whole Board of Directors at any regular meeting, or at any special meeting called for the purpose, if notice of the regular or special meeting gave notice of the proposed removal. Also, except where otherwise expressly provided in a contract duly authorized by the Board of Directors, all other officers shall hold their office, agency or employment at the discretion of, and may be removed or discharged, with or without cause, by the Board of Directors, by the committee or officer that elected them or by any superior officer upon whom such power of removal may be conferred by the Board of Directors.

Section 5. Resignations. Any officer of the Corporation may resign at any time by giving written notice of his resignation to the Board of Directors or to the Chairman of the Board or to the President or to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when it shall become effective shall not be specified therein, immediately upon its receipt by the Board of Directors or such Chairman of the Board or President or Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office due to death, resignation, removal, disqualification or any other cause may be filled for the unexpired portion of the term in the manner prescribed in these By-Laws for regular elections to such office.

Section 7. Chairman of the Board of Directors. The Chairman of the Board of Directors shall be under the direction of the Board of Directors and shall have the primary responsibility for the effective operation of the Board. The Chairman shall preside at all meetings of the Board of Directors and of the stockholders.

In any prolonged absence or incapacity of the President, he shall perform all the duties and functions and exercise all the powers of the President.

Section 8. President. Unless otherwise determined by the Board of Directors, the President shall be the Chief Executive Officer of the Corporation under the supervision and direction of the Board and shall have the primary responsibility for carrying out the policies of the Board. When the President is absent temporarily in the ordinary course of business, he is authorized to designate another senior officer to act in his behalf during his absence. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall see that all orders and resolutions of the Board of Directors are carried into effect. He may sign, execute and deliver in the name of the Corporation all deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors, and checks, notes and orders for the payment of money, except in cases where the signing, execution or delivery thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation or where any of them shall be required by law otherwise to be signed, executed or delivered.

Section 9. Inability of Chairman of the Board and President to Act. If the President and the Chairman of the Board are unable to act, the Board shall determine by resolution who shall perform the duties of the President and Chairman of the Board.

Section 10. Executive Vice Presidents, Senior Vice Presidents and Vice Presidents. Each Executive Vice President, Senior Vice President and Vice President shall have such powers and perform such duties as the Board of Directors, the Chairman of the Board or the President may from time to time prescribe and shall perform such other duties as may be prescribed by these By-Laws.

Section 11. The Secretary. The Secretary shall attend and keep the minutes of meetings of the stockholders, of the Board of Directors and (unless the Board designates a secretary or secretaries for a committee or committees) of all committees, in one or more books provided for that purpose; give notice of all meetings in accordance with these By-Laws and as required by law; have charge of the seal of the Corporation; he may sign with the Chairman of the Board, President, Executive Vice President, Senior Vice President, Vice President, or Assistant Vice President, in the name of the Corporation, all contracts and instruments of conveyance authorized by the Board of Directors, or by any committee thereunto duly authorized, and, when so ordered or authorized he shall affix the seal of the Corporation thereto; he shall have charge of the certificate books, transfer books and stock ledgers, and such other books and papers as the Board of Directors may direct, all of which shall, at all reasonable times, be open to the examination of any Director, upon application at the office of the Corporation during business hours; prepare and submit to the Board of Directors or the President such reports and data as may be requested of him; and in general perform all the duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him by the Board of Directors or the President. The Board of Directors may from time to time delegate to another officer or person any of the duties usually performed by the Secretary to the extent permitted by law.

Section 12. The Assistant Secretary. At the request of the Secretary or in the event of his absence or inability to act, the Assistant Secretary or, if there be more than one, any of the Assistant Secretaries, shall (unless the Board directs otherwise) perform the duties of the Secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. Each Assistant Secretary shall perform such other duties as from time to time may be assigned to him by the President, the Secretary, or the Board of Directors.

Section 13. The Treasurer. The Treasurer shall be under the direction of the officer who has been designated by the Board of Directors. The principal financial officer of the Corporation may also hold the position of Treasurer if so approved by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine (and in the event such bond be required, a new bond shall be taken at least every six years). The Treasurer shall have charge and custody of, and be responsible for, all funds, securities, notes, valuable effects and financial records of the Corporation, receive and give receipt for moneys due and payable to the Corporation from any sources whatsoever; when necessary or proper he shall endorse on behalf of the Corporation for collection, checks, notes and other obligations and shall deposit the same to the credit of the Corporation in such bank or banks or depository or depositories as the Board of Directors may designate; he shall cause such funds of the Corporation to be disbursed by checks or drafts on the authorized banks or depositories of the Corporation signed as provided in these By-Laws or by resolution of the Board of Directors; he shall be responsible for the accuracy of the amounts of, and cause to be preserved, proper vouchers for all moneys so disbursed; he shall enter or cause to be entered regularly in the books of the Corporation, to be kept by him or under his supervision for that purpose, a full and accurate account of all the moneys received and paid by him on account of the Corporation; he shall render to the Board of Directors, the Chairman of the Board, or the President, whenever they shall require him so to do, a statement of the cash account and such other financial statements as may be prepared from the financial records, and as soon as may be practicable after the close of each fiscal year make and submit to the Board of Directors like report or reports for such fiscal year; and in general perform all the duties incident to the office of Treasurer, and such other duties as from time to time may be assigned to him by the Board of Directors or the President. The Board of Directors may from time to time delegate to another officer or person any of the duties usually performed by the Treasurer to the extent permitted by law.

Section 14. The Assistant Treasurer. If required by the Board of Directors, the Assistant Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine (and in the event such bond be required, a new bond shall be taken at least every six years). At the request of the Treasurer or in the event of his absence or inability to act, the Assistant Treasurer or, if there be more than one, any of the Assistant Treasurers, shall (unless the Board directs otherwise) perform the duties of the Treasurer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Treasurer. Each Assistant Treasurer shall perform such other duties as from time to time may be assigned to him by the President, the Treasurer, or the Board of Directors.

Section 15. Salaries. The salaries of all officers of the Corporation shall be determined or provided for from time to time by the Board of Directors. No officer shall be prevented from receiving any such salary because he is also a member of the Board of Directors.

ARTICLE VI

Limitation of Liability and Indemnification of Directors, Officers and Certain Representatives of the Corporation

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith as a director, member of a directors' committee or officer of the Corporation, 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 Corporation, or the books of account or other records of the Corporation, or reports or

information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent certified public accountant or auditor, engineer, appraiser or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Indemnification of Directors, Officers and Employees. The Corporation shall indemnify, in the manner and to the full extent permitted by the laws of the State of Delaware, any former or present director, officer or employee of the Corporation or of any subsidiary of the Corporation (or the estate of any such person) who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action, suit or proceeding, whether or not by or in the right of the Corporation, and whether civil, criminal, administrative, investigative or otherwise, by reason of the fact that such person is or was a director, officer or employee of the Corporation, or is or was serving any other enterprise at the request of the Corporation (a "Proceeding"); provided, however, that the Corporation shall indemnify any such person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was authorized in advance by the Board of Directors of the Corporation. The Corporation may, to the full extent permitted by the laws of the State of Delaware, purchase and maintain insurance on behalf of any such person against any liability which may be asserted against him. To the full extent permitted by the laws of the State of Delaware, the indemnification provided herein shall include expenses (including attorney's fees), judgments, fines and amounts paid in settlement. In the manner provided by law, any such expenses may be, and any such expenses incurred by any former or present director or officer of the Corporation shall be, paid by the Corporation in advance of the final disposition of such Proceeding. The indemnification, including advance payment of expenses, provided herein shall not be deemed to limit the right of the Corporation to indemnify and make advance payment to any other person for any such expenses to the full extent permitted by law, nor shall it be deemed exclusive of any other rights to which any person seeking indemnification or advance payment of expenses from the Corporation may be entitled under any agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. The rights under this Section 2 of Article VI are contractual, and no amendment to or repeal of this Section 2 of Article VI shall apply or be effective to limit or reduce the rights to indemnification and advance payment of expenses provided under this Section 2 of Article VI with respect to any Proceeding (regardless of when commenced) arising out of acts or omissions occurring prior to such amendment or repeal.

ARTICLE VII

Contracts, Checks, Drafts, Bank Accounts, Books and Records, etc.

Section 1. Execution of Contracts. The Board of Directors may authorize any officer or officers or agent or agents of the Corporation to enter into any contract or execute and deliver any instrument in the name and on behalf of the Corporation, and such authority may be general or confined to specific instances; and, unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniarily for any purpose or to any amount.

Section 2. Loans. No loan shall be contracted on behalf of the Corporation, and no negotiable paper shall be issued in its name, unless authorized (i) by the Board of Directors, or (ii) by a Committee of the Board if the Board of Directors has delegated to any such Committee the power to make such authorizations. When so authorized any officer or agent of the Corporation may effect loans and advances at any time for the Corporation from any bank, trust company or other institution, or from any firm, corporation or individual, and for such loans and advances may make, execute and deliver promissory notes or other evidences of indebtedness of the Corporation, and, when authorized so to do by the Board of Directors, and, if required

by law, by the stockholders, as security for the payment of any and all loans, advances, indebtedness and liabilities of the Corporation, may mortgage, pledge, hypothecate or transfer any real or personal property at any time held by the Corporation and to that end execute deeds of trust, and instruments of mortgage or pledge, or otherwise transfer said property.

Section 3. Checks, Drafts, etc. All checks, drafts, orders for the payment of money, obligations and bills of exchange shall be signed or endorsed (except endorsements for collection for the account of the Corporation or for deposit to its credit) by such officer or officers, employee or employees or agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. Each of such officers and employees shall give such bond, if any, as the Board of Directors shall determine.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in one or more of such banks, trust companies or other depositaries as the Board of Directors may select or as may be selected by any officer or officers or agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board of Directors. For the purpose of deposit and for the purpose of collection for the account of the Corporation, checks, drafts and other orders for the payment of money which are payable to the order of the Corporation may be endorsed, assigned and delivered by any officer or agent of the Corporation to whom such power is so delegated.

Section 5. General and Special Bank Accounts. The Board of Directors may from time to time authorize the opening and keeping of general and special bank accounts with one or more of such banks, trust companies or other depositaries as the Board of Directors may select or as may be selected by any officer or officers, agent or agents of the Corporation to whom power in that respect shall have been delegated by the Board of Directors. The Board of Directors may make such special rules and regulations with respect to such bank accounts, not inconsistent with the provisions of these By-Laws, as it may deem expedient.

Section 6. Proxies in Respect of Stock or Other Securities of Other Corporations. Unless otherwise provided by resolutions adopted by the Board of Directors, the Chairman of the Board, the President, any Executive Vice President, any Group Vice President, any Senior Vice President, any Vice President, the Secretary or the Treasurer of the Corporation, or any one or more of them shall have full power and authority to exercise in the name and on behalf of the Corporation all the powers and rights, including the right to vote and consent, which the Corporation may have as the holder of stock or other securities in any other corporation, and from time to time to appoint an attorney or attorneys or an agent or agents, or proxy or proxies with like power and authority in respect of such stock or other securities, and may instruct the person or persons so appointed as to the manner of exercising such powers and rights, and may execute or cause to be executed in the name and on behalf of the Corporation and under its corporate seal, or otherwise, all such written proxies or other instruments as he or they may deem necessary or proper in order that the Corporation may exercise its said powers and rights. The Board of Directors from time to time may by resolution confer like powers and authority upon any other person or persons.

ARTICLE VIII

Books and Records

The books and records of the Corporation may be kept outside of the State of Delaware, at the general office of the Corporation in Dallas, Texas, or at such other place or places as may be from time to time designated or selected by the Board of Directors.

ARTICLE IX
Shares and Their Transfer;
Examination of Books

Section 1. Certificates for Stock. Every owner of stock of the Corporation shall be entitled to have a certificate in such form not inconsistent with the Certificate of Incorporation as the Board of Directors shall prescribe, certifying the number and class of shares of stock of the Corporation owned by him. The certificates representing shares of the respective classes of such stock (if there be more than one) shall state the name of the person owning the shares represented thereby, shall be numbered in the order in which they shall be issued, and shall be signed in the name of the Corporation by the Chairman of the Board or the President or an Executive Vice President or a Group Vice President or a Senior Vice President or a Vice President or by the Treasurer or the Secretary or an Assistant Treasurer or an Assistant Secretary of the Corporation and its seal shall be affixed thereto; provided, however, that where such certificate is countersigned by (1) a transfer agent other than the Corporation or its employee, or (2) a registrar other than the Corporation or its employee, if the Board of Directors shall by resolution so authorize, any of the signatures of the foregoing officers of the Corporation and the seal of the Corporation may be facsimile. In case any officer of the Corporation, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, such certificate may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. The name of the person owning the shares represented by each certificate, the number of shares, and the date of issue shall be entered on the stock ledger of the Corporation. Every certificate surrendered to the corporation for exchange or transfer shall be cancelled and a new certificate or certificates shall not be issued in exchange for any existing certificate, until such existing certificate shall have been so cancelled, except in cases provided for in Section 4 of Article IX.

Section 2. Transfers of Stock. Transfers of shares of stock of the Corporation shall be made only on the books of the Corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the Corporation, or with a transfer clerk or a transfer agent appointed as provided in Section 3 of Article IX, and on surrender of the certificate or certificates for such shares properly endorsed and the payment of all taxes thereon. The person in whose name shares of stock are registered on the books of the Corporation shall be deemed and treated as the owner thereof for all purposes; and the Corporation shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

Section 3. Regulations. The Board of Directors may make such rules and regulations as it may deem expedient, not inconsistent with these By-Laws, concerning the issue, transfer and registration of certificates for shares of the stock of the Corporation. It may appoint one or more transfer clerks or one or more transfer agents and one or more registrars, and may require all certificates of stock to bear the signature or signatures of any of them.

Section 4. Lost, Destroyed, Stolen, and Mutilated Certificates. The holder of any stock of the Corporation shall immediately notify the Corporation of any loss, destruction, theft, or mutilation of the certificate therefor, and the Corporation may issue a new certificate of stock in the place of any certificate theretofore issued by it, alleged to have been lost, destroyed, stolen, or mutilated, upon the surrender of the mutilated certificate, or in the case of loss, destruction, or theft of the certificate, upon satisfactory proof of such loss, destruction, or theft. The Board of Directors may, in its discretion, as a condition precedent to the issuance of a new certificate, require the owner of the lost, destroyed, or stolen certificate or his legal representatives to give the Corporation a bond in such sum, limited or unlimited, and in such form and with such surety or sureties, as the Board shall in its uncontrolled discretion determine, to indemnify the

Corporation against any claim that may be made against it on account of the alleged loss, destruction, or theft of any such certificate, or the issuance of such new certificates.

Section 5. Fixing Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

ARTICLE X

Seal

The corporate seal of the Corporation shall be in the form of a circle and shall bear the full name of the Corporation, the state and year of incorporation, and the words "Corporate Seal." Said seal may be used by causing it or a facsimile thereof to be impressed, affixed or otherwise reproduced. The seal shall be retained by the Secretary. A duplicate of the seal may be kept and used by the Treasurer, by an Assistant Secretary or Assistant Treasurer, or by any other employee authorized by resolution of the Board of Directors.

ARTICLE XI

Fiscal Year

The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

ARTICLE XII

Notices and Waivers Thereof

Whenever under the provisions of the law of the State of Delaware, of the Certificate of Incorporation, or these By-Laws notice of any nature is required to be given to any director, officer or stockholder, unless otherwise provided by law or expressly provided by these By-Laws, such notice may be given personally, or it may be given in writing by depositing the same in the post office or a letter box maintained and kept by the United States Government in a postpaid sealed envelope addressed to such director, officer or stockholder at such address as appears upon the books of the Corporation, or, in default of other address, to such director, officer or stockholder at the general post office in the City of Wilmington, Delaware, and such notice shall be deemed to be given at the time when the same shall be thus mailed; a waiver of such notice in writing signed by the person or persons entitled to such notice, or a telegram, cable or wireless sent by such person, whether before or after the time stated therein shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

ARTICLE XIII

Annual Financial Statement

The Board of Directors shall cause to be published and submitted to the stockholders, at least fifteen days in advance of their annual meeting, the Corporation's annual financial statement covering the previous fiscal year, and containing such other information and data as the Board of Directors may deem appropriate.

ARTICLE XIV

Amendments

These By-Laws, as they shall be at any time and whether or not previously altered, amended or added to, may be made, altered, amended or repealed from time to time by the Board of Directors by the affirmative vote of a majority of the authorized number of directors at any regular or special meeting of directors if notice of the proposed change was contained in the notice of such meeting. The stockholders also, by the affirmative vote of a majority of the stock issued, outstanding and entitled to vote may from time to time make, alter, amend or repeal the By-Laws at any regular or special meeting if notice of the proposed change was contained in the notice of the meeting; and any addition, alteration, amendment or repeal effected by the Board of Directors may be altered, amended or repealed by the stockholders in the manner hereinabove set forth.

TI DEFERRED COMPENSATION PLAN

(Effective January 1, 2009)

TI DEFERRED COMPENSATION PLAN

Texas Instruments Incorporated, a Delaware corporation with its principal offices in Dallas, Texas (hereinafter referred to as “TI” or “the Company”), froze the TI Deferred Compensation Plan (the “Frozen DCP”), effective as of December 31, 2004, to new participants, to new elective deferrals and to benefits under the Frozen DCP to the extent benefits under that plan were earned and vested as of that date. Effective as of January 1, 2005, TI established a new deferred compensation plan (the “New Plan”) in order (i) to provide a select group of management or highly compensated employees described in Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) with the opportunity to defer payment of certain compensation and benefits earned from and after January 1, 2005 to a later date, (ii) to provide for the payment of benefits under the Frozen DCP which were not earned and vested as of January 1, 2005, and (iii) to restore certain benefits earned and/or vested on or after January 1, 2005, which cannot be provided under the TI Contribution and 401(k) Savings Plan or the TI 401(k) Savings Plan as a result of that deferral of compensation 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”), all in accordance with the interim guidance promulgated under Section 409A of the Code. The benefits provided under the New Plan are unfunded with the result that the participants in the Plan are general unsecured creditors of TI. TI hereby amends and restates the New Plan, effective as of January 1, 2009 (the “A&R Plan” or the “Plan”), in the form provided herein in order, among other things, to establish the name of the A&R Plan as the “TI Deferred Compensation Plan” and to comply with the Final Treasury Regulations of Section 409A of the Code.

Prior to January 1, 2009, the deferral of amounts and restoration of benefits pursuant to the New Plan was governed by the applicable interim guidance under Section 409A of the Code in effect prior to January 1, 2009, and the deferral of compensation earned from and after January 1, 2009 and the restoration of benefits from and after January 1, 2009, as well as all amounts in a Participant’s Accounts on or after January 1, 2009, shall be governed by the terms and conditions of this A&R Plan.

Effective as of November 1, 2008, the Frozen DCP was merged into the New Plan in order to permit the election provisions described in this A&R Plan which took effect as of November 1, 2008 to apply to all of the amounts under the Frozen DCP, except for the Frozen Non-Qualified Pension Plan Deferrals, and as a result of that merger and material modification of the Frozen DCP, it became subject to the requirements of Section 409A of the Code as of November 1, 2008, for all of the amounts in the Frozen DCP other than the Frozen Non-Qualified Pension Plan Deferrals. The amounts in the accounts of the participants in the Frozen DCP (except for the Frozen Non-Qualified Pension Plan Deferrals) were governed by the terms and conditions of the New Plan until January 1, 2009 (except for the election provisions set forth herein which took effect as of November 1, 2008), and from and after January 1, 2009, shall be governed by the terms and conditions of this A&R Plan. The terms of the Frozen DCP as in effect prior to November 1, 2008 shall remain applicable to and shall govern the Frozen Non-Qualified Pension Plan Deferrals. In addition, any amounts in pay status as of November 1, 2008, whether originally payable from the Frozen DCP or the New Plan, shall continue to be payable pursuant to the terms of the Frozen DCP as in effect prior to November 1, 2008 or the New Plan, as the case may be.

Article I
Definitions

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. Account. “Account” or “Accounts” means, as the context requires, the Deferred Compensation Account and/or the Benefit Restoration Account of a Participant.

Sec. 1-2. Administration Committee. “Administration Committee” means the person or persons from time to time acting under the provisions of Article V hereof.

Sec. 1-3. Beneficiary. “Beneficiary” means the person or persons, entity or entities, trust or trusts, or the Participant’s estate, including one or more organizations described in each of Sections 170(c), 2055(a), and 2522(a) of the Code (or any substitute provisions), named by a Participant who is not married as his Beneficiary or contingent Beneficiary. “Beneficiary” means, in the case of a married Participant, the spouse (as defined in the Defense of Marriage Act) of the Participant at the time of his death, provided that a married Participant shall be entitled to designate one or more of the types of Beneficiaries or contingent Beneficiaries that an unmarried Participant may select, other than the Participant’s spouse, to receive any amount payable under the Plan in the event of his death and from time to time to change such designation. Such married Participant’s alternate designation of a non-spousal Beneficiary shall not be effective, however, unless:

- (i) the spouse of the Participant consents in writing to such designation and the spouse’s consent acknowledges the effect of such designation and is witnessed by a Plan representative or a notary public; or
- (ii) the Participant establishes to the satisfaction of the Administration Committee that such spouse’s consent may not be obtained because the spouse cannot be located.

Any consent by a spouse (or the establishment that consent of a spouse may not be obtained) shall be effective only with respect to that spouse. Such spouse may revoke his consent by filing prior to the applicable Scheduled Distribution Date of the Participant a revocation in such form and manner as the Administration Committee shall specify. The Administration Committee may rely on the representations by the Participant as to whether the Participant has no spouse or the spouse cannot be located and shall have no liability for such reliance. All Beneficiary designations and changes of Beneficiary designations shall be made in accordance with such rules and regulations, as the Administration Committee shall prescribe.

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

Sec. 1-4. Benefit Restoration Account. “Benefit Restoration Account” means the bookkeeping account of a Participant maintained by TI which reflects amounts attributable to the benefit restoration account in the New Plan and the benefit restoration account in the Frozen DCP and contributions and earnings posted pursuant to Sections 3-3 and 3-4 hereof.

Sec. 1-5. Board of Directors. “Board of Directors” means the Board of Directors of TI or of any Subsidiary which has adopted this Plan.

Sec. 1-6. Cash Profit Sharing Compensation. “Cash Profit Sharing Compensation” means the cash profit sharing bonus payable for a Plan Year under the TI Employees Cash Profit Sharing Plan, as amended from time to time, and any successor to that program.

Sec. 1-7. Code. “Code” means the Internal Revenue Code of 1986, as amended.

Sec. 1-8. Compensation. “Compensation” means: (a) a Designated Employee’s Regular Compensation; (b) a Designated Employee’s Year-End Performance Bonus; and (c) any amounts paid to the Designated Employee as Cash Profit Sharing Compensation. In addition, “Compensation” as provided in Sections 2-4 and 3-3(iii) for purposes of determining any “Matched Savings Contribution” shall have the same meaning as in the TI 401(k) Savings Plan.

Sec. 1-9. Compensation Committee. “Compensation Committee” means the Compensation Committee of the Board of Directors of TI.

Sec. 1-10. Deferred Compensation Account. “Deferred Compensation Account” means the bookkeeping account of a Participant maintained by TI, which reflects the following:

- (i) amounts in the portion of the Account attributable to the deferred compensation account in the Frozen DCP, other than amounts attributable to Frozen Non-Qualified Pension Plan Deferrals;
- (ii) amounts in the portion of the Account attributable to the deferred compensation account in the Frozen DCP composed of the Frozen Non-Qualified Pension Plan Deferrals;
- (iii) amounts in the portion of the Account attributable to the deferred compensation account in the New Plan (including amounts attributable to deferrals of benefits from the TI Employees Non-Qualified Pension Plan II pursuant to the deferral election provided for the 2005 Plan Year which either (a) were credited to the Account prior to January 1, 2009, or (b) are payable from the TI Employees Non-Qualified Pension Plan II as of December 31, 2008 but may not actually be credited to the Account until after January 1, 2009); and
- (iv) contributions and earnings posted pursuant to Section 3-2 hereof.

Sec. 1-11. Deferred Compensation Agreement. “Deferred Compensation Agreement” means an agreement pursuant to which a Designated Employee elects to defer part of his Compensation and which specifies:

- (i) that the Designated Employee agrees to participate in this Plan in accordance with its provisions; and
- (ii) that the Deferred Compensation Agreement shall be subject to this Plan in all respects.

Sec. 1-12. Designated Employee. “Designated Employee” means an employee of TI or a Subsidiary who is eligible to participate in a Deferred Compensation Account pursuant to Section 2-1 of this Plan and to defer Compensation during a Plan Year.

Sec. 1-13. Election Period. “Election Period” means the annual election period during which Participants who are Designated Employees may enter into new Deferred Compensation Agreements in accordance with Article III and make such other elections as provided for in this Plan. Such annual election

period shall be the period prior to the beginning of a Plan Year as specified by the Administration Committee and communicated to the Designated Employees.

Sec. 1-14. Eligible Employee. “Eligible Employee” means an Employee other than an Employee who is defined as a “Tucson Participant” in Appendix E of the TI Employees Pension Plan.

Sec. 1-15. Employee. “Employee” means any employee of TI or its Subsidiaries, whether full or part-time.

Sec. 1-16. Employer. “Employer” means Texas Instruments Incorporated and any other corporation and any other member of the controlled group of corporations (as defined in Section 414(b) of the Code) which includes TI and which adopts the TI 401(k) Savings Plan or the TI Contribution and 401(k) Savings Plan, unless the controlled group member’s adopting resolutions specifically provide that while adopting the TI 401(k) Savings Plan or the TI Contribution and 401(k) Savings Plan, it is not adopting this Plan. In any event, among the Employers, TI shall have sole power to amend or terminate this Plan.

Sec. 1-17. ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Sec. 1-18. Frozen Non-Qualified Pension Plan Deferrals. “Frozen Non-Qualified Pension Plan Deferrals” means amounts from the TI Employees Non-Qualified Pension Plan which was frozen as of December 31, 2004, attributable to deferrals of benefits which either (a) were credited prior to January 1, 2009 to the portion of a Participant’s Deferred Compensation Account composed of the deferred compensation account in the Frozen DCP, or (b) are payable from said frozen Employees Non-Qualified Pension Plan as of December 31, 2008 to the portion of a Participant’s Deferred Compensation Account composed of the deferred compensation account in the Frozen DCP, but which may not actually be credited to the Deferred Compensation Account until after January 1, 2009, plus earnings thereon.

Sec. 1-19. Participant. “Participant” means both an Active Participant and an Inactive Participant, as such terms are defined in this Section 1-19.

(i) “Active Participant” shall include:

(a) an Employee who executes a Deferred Compensation Agreement for the current Plan Year in accordance with Article III hereof and who is not an “Inactive Participant” as defined in (ii) below; and

(b) an Eligible Employee who is credited with an amount to his Benefit Restoration Account.

(ii) “Inactive Participant” shall include:

(a) with respect to the Deferred Compensation Account, a Designated Employee who has a Deferred Compensation Account balance but who did not execute a Deferred Compensation Agreement for the current Plan Year in accordance with Article III hereof;

(b) an Employee who has a Deferred Compensation Account balance, but who is no longer a Designated Employee;

- (c) an Eligible Employee who has a Benefit Restoration Account balance, but who is not currently being credited with amounts to that account; and
- (d) a former Employee who has a Deferred Compensation Account balance and/or a Benefit Restoration Account balance and who has experienced a “separation from service” as defined in Section 1.409A-1(h) of the Final Treasury Regulations under Section 409A of the Code, or any successor provision thereto, including any former Employees who were participants in the Frozen DCP and/or the New Plan.

Sec. 1-20. Plan Year. “Plan Year” means a calendar year.

Sec. 1-21. Regular Compensation. “Regular Compensation” means a Designated Employee’s regular base salary (including straight time, holiday pay, timebank, jury duty, disability pay, workers compensation and military pay) relating to services performed for the Employer during any calendar year, but excluding commissions, bonuses, and any other incentive compensation.

Sec. 1-22. Scheduled Distribution Date. “Scheduled Distribution Date” means the month and year designated by the Participant pursuant to Section 3-6.

Sec. 1-23. 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. 1-24. Year-End Performance Bonus. “Year-End Performance Bonus” means a cash incentive award payable for a Plan Year under the Texas Instruments’ Executive Officer Performance Plan and performance bonuses payable under any Employer’s annual performance bonus plan, as amended from time to time, and any successor to such plan or program. Merit, retention, sales, completion, individual, team, signing, and other similar bonuses are not eligible for deferral as a “Year-End Performance Bonus.”

Article II

Eligibility and Participation

Sec. 2-1. Eligibility.

(i) Annual eligibility to participate in a Deferred Compensation Account shall be limited to Employees on the U.S. payroll who are selected by, and at the sole discretion of, the Compensation Committee, the TI Senior Vice President responsible for Human Resources or such other individual designated by the Compensation Committee who represent a select group of management or highly-compensated employees of TI or its Subsidiaries, consistent with the Plan’s status under ERISA as a plan for a select group of management or highly compensated employees. An Employee selected to participate as provided in this paragraph will be eligible to participate in a Deferred Compensation Account in accordance with the provisions of Section 2-2 below as a Designated Employee.

(ii) Eligible Employees shall be eligible to participate in a Benefit Restoration Account in accordance with the provisions of Section 2-3 or Section 2-4 below, provided the Compensation Committee, the TI Senior Vice President responsible for Human Resources or such other individual designated by the Compensation Committee has determined, in its or such individual’s sole discretion, that those Employees represent a select group of management or highly-compensated employees of TI or its Subsidiaries, consistent with the Plan’s status

under ERISA as a plan for a select group of management or highly compensated employees. The participation of a Participant who has an amount credited to his Benefit Restoration Account pursuant to Section 2-3 or Section 2-4 shall be automatic. The participation of a Designated Employee in a Deferred Compensation Account is elective, as described below.

Sec. 2-2. Participation in a Deferred Compensation Account. A Designated Employee shall become a Participant in a Deferred Compensation Account by completing a Deferred Compensation Agreement in the manner and form (including without limitation, telephonic and electronic transmission, utilization of voice response systems and computer entry, to the extent such form is permissible under Section 409A of the Code) specified by the Administration Committee, and electing to defer Compensation as provided in Section 3-2 below.

Sec. 2-3. Participation in a Benefit Restoration Account for Participants in the TI Contribution and 401(k) Savings Plan.

(i) An Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of the Participant will be credited with contributions not credited to such Participant's "Contribution Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year as of the date the limitations under Section 401(a)(17) of the Code and/or Section 415 of the Code are first applicable, so that allocations under the TI Contribution and 401(k) Savings Plan allocable to such account of such Participant are restricted.

(ii) An Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of such Participant will be credited with "Employer 401(m) Contributions" not credited to the Participant's "401(k) Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year as of the date the limitations under Section 401(a)(17) and/or Section 415 of the Code first restrict contributions or allocations under the TI Contribution and 401(k) Savings Plan; provided that the Participant has made an election under the TI Contribution and 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code.

(iii) A Designated Employee who otherwise is an Eligible Employee will become a Participant in this Plan and a Benefit Restoration Account in the name of the Participant will be credited with contributions not credited to the Participant's "Contribution Account," and with "Employer 401(m) Contributions" not credited to the Participant's "401(k) Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year because the Participant deferred Regular Compensation or deferred Year-End Performance Bonus under this Plan, as of the earliest date the deferred Regular Compensation or deferred Year-End Performance Bonus is credited to the Participant's Deferred Compensation Account pursuant to Section 3-2 below; provided that no "Employer 401(m) Contributions" restoration shall be made unless the Participant has made an election under the TI Contribution and 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code.

Sec. 2-4. Participation in a Benefit Restoration Account for Participants in the TI 401(k) Savings Plan. A Designated Employee who otherwise is an Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of such Participant will be credited with "Employer Matched Savings Contributions" not credited to the Participant's "401(k) Account" under the TI 401(k) Savings Plan for that Plan Year solely because the Participant deferred Regular Compensation or deferred Year-End Performance Bonus under this Plan, as of the earliest date the Regular Compensation or Year-End Performance

Bonus is credited to the Participant's Deferred Compensation Account pursuant to Section 3-2 below; provided that the Participant has made an election under the TI 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code, and provided further that such contribution, when added to any "Matched Savings Contribution" actually made pursuant to the TI 401(k) Savings Plan, does not exceed 2% of such Participant's Compensation during the Plan Year as limited by Section 401(a)(17) of the Code.

Article III **Participant Account**

Sec. 3-1. *Participant Account.* TI shall maintain for each Participant an unfunded bookkeeping Deferred Compensation Account and/or Benefit Restoration Account to which shall be credited or debited all contributions and any earnings and losses that would have been incurred thereon if the Accounts had been invested as directed by the Participant or as otherwise so provided pursuant to this Article III. A Participant shall at all times have a fully vested and non-forfeitable right to the amounts credited to his Deferred Compensation Account under this Plan, subject to the distribution provisions and other requirements of this Plan. To the extent the Participant is vested in corresponding benefits under the TI 401(k) Savings Plan or the TI Contribution and 401(k) Savings Plan, the Participant shall be vested in the amounts credited to his Benefit Restoration Account, subject to the distribution provisions and other requirements of this Plan.

Sec. 3-2. *Elections by Participants for Deferred Compensation Accounts.*

(i) Each Designated Employee may elect to participate in a Deferred Compensation Account by completing a Deferred Compensation Agreement during the Election Period.

(ii) A Designated Employee who elects to participate in a Deferred Compensation Account may, during the applicable Election Period, elect to defer into a Deferred Compensation Account no more than 90% of the Designated Employee's Year-End Performance Bonus that is earned in the upcoming Plan Year and paid in the following Plan Year. A Participant's election to defer his Year-End Performance Bonus is irrevocable and shall become effective as of the first day of the Plan Year immediately following such Election Period.

(iii) A Designated Employee who elects to participate in a Deferred Compensation Account may, during the applicable Election Period, elect to defer into the Deferred Compensation Account no more than 90% of the Designated Employee's Cash Profit Sharing Compensation that is earned in the upcoming Plan Year and paid in the following Plan Year. A Participant's election to defer Cash Profit Sharing Compensation is irrevocable and shall become effective as of the first day of the Plan Year immediately following such Election Period.

(iv) A Designated Employee who elects to participate in a Deferred Compensation Account may, during the applicable Election Period, elect to defer into the Deferred Compensation Account no more than 25% of the Designated Employee's Regular Compensation (exclusive of his Year-End Performance Bonus and Cash Profit Sharing Compensation) to be earned in the upcoming Plan Year. A Participant's election to defer Regular Compensation is irrevocable, and shall become effective for Compensation earned from and after the first day of the Plan Year immediately following such Election Period.

The Employer of a Participant shall credit to the Participant's Deferred Compensation Account the amount of Compensation the Participant has elected to defer. Such amounts shall be credited as of the date

the Compensation so deferred would otherwise have been paid to the Participant in the absence of the Participant's deferral election.

Sec. 3-3. Benefit Restoration Accounts. The Employer of a Participant who is an Eligible Employee shall credit to the Benefit Restoration Account of such Participant all of the following that apply:

- (i) the amount of contributions not credited to such Participant's "Contribution Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year due to the limitations under Section 401(a)(17) of the Code and/or Section 415 of the Code or because the Participant deferred compensation pursuant to Section 3-2 above;
- (ii) the amount of any "Employer 401(m) Contributions" which would have been made but which were not made and credited to the "401(k) Account" under the TI Contribution and 401(k) Savings Plan because of the application of Section 401(a)(17) and/or Section 415 of the Code or because the Participant deferred compensation pursuant to Section 3-2 above; provided that the Participant has made an election under the TI Contribution and 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code; and/or
- (iii) the amount of any "Matched Savings Contribution" under the TI 401(k) Savings Plan which would have been credited but which was not credited under the TI 401(k) Savings Plan solely because the Designated Employee deferred compensation pursuant to Section 3-2 above, provided that the Participant has made an election under the TI 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code, and provided further that such contribution, when added to any "Matched Savings Contribution" actually made pursuant to the TI 401(k) Savings Plan, does not exceed 2% of such Designated Employee's Compensation during the Plan Year as limited by Section 401(a)(17) of the Code.

Sec. 3-4. Investment Performance of Contributions. As soon as the Administration Committee determines that it is administratively feasible, a Participant may direct the Administration Committee to value amounts deferred or credited for that Plan Year to each of (1) the portion of the Deferred Compensation Account attributable to deferrals provided for in Sections 3-2(ii) and (iii), if applicable, (2) the portion of the Deferred Compensation Account attributable to deferrals provided for in Section 3-2(iv), if applicable, and (3) the Benefit Restoration Account for such Participant pursuant to Section 3-3, if applicable, so as to reflect the performance of any of the participant investment funds authorized under the TI Contribution and 401(k) Savings Plan. In the case of elections of amounts deferred pursuant to Section 3-2 for any Plan Year and amounts credited for any Plan Year to a Benefit Restoration Account of a Participant, the participant investment funds available under this Plan shall exclude the TI Stock Fund and the Self Directed Brokerage Account as defined in said TI Contribution and 401(k) Savings Plan. In the case of the portion of the Deferred Compensation Accounts and the Benefit Restoration Accounts attributable to the New Plan, the TI Stock Fund and the Self Directed Brokerage Account shall be excluded, and in the case of the portion of the Deferred Compensation Accounts and the Benefit Restoration Accounts attributable to the Frozen DCP, the Self Directed Brokerage Account shall be excluded. Subject to the provisions of this Section 3-4, separate directions may be made with respect to amounts already credited to a Participant's Accounts and, in the case of the Deferred Compensation Account, with respect to amounts to be credited in the future.

If a Participant has not made investment performance directions for that Plan Year for an amount credited to any of the portions of that Participant's Deferred Compensation Account or his Benefit Restoration Account for that Plan Year pursuant to the foregoing provisions of this Section 3-4, then such amount shall

reflect the performance of the Lifestyle 2010 Fund or such other low risk investment fund as selected by the Retirement Investment Committee provided for in the TI Contribution and 401(k) Savings Plan.

Notwithstanding the foregoing provisions of this Section 3-4, with respect to the portion of the Deferred Compensation Accounts and the Benefit Restoration Accounts attributable to the Frozen DCP and the portion in those Accounts attributable to the New Plan, investment in the TI Stock Fund shall be subject to the following limitations:

- (i) no Participant shall be permitted to direct that any additional amounts in the portion of his Accounts attributable to the Frozen DCP or the New Plan reflect the performance of the TI Stock Fund;
- (ii) dividends on TI Stock shall be reinvested in the TI Stock Fund; and
- (iii) from and after January 1, 2010, Participants who have amounts in their Accounts attributable to the Frozen DCP or the New Plan shall no longer be permitted to direct that any of such amounts reflect the performance of the TI Stock Fund, and the TI Stock Fund shall be removed as an investment performance fund alternative which is available under this Plan with respect to the portion of their Accounts attributable to the Frozen DCP or the New Plan. Prior to January 1, 2010, the Administration Committee shall establish procedures for redirecting amounts which have been directed to reflect the performance of the TI Stock Fund into one of the other investment performance fund alternatives available under the Plan.

Participant investment performance directions for a Plan Year may be made not more often than once each day. Each such direction which conforms to the terms and conditions specified by the Administration Committee shall be effective as soon as practicable after it is made and shall continue in effect until revoked or modified by a new direction.

Sec. 3-5. Withdrawal of Contributions. A Participant may not withdraw funds credited to the Participant's Deferred Compensation Account and Benefit Restoration Account unless the Participant has an Unforeseeable Emergency. An "Unforeseeable Emergency" is a severe financial hardship to the Participant resulting from (a) an illness or accident of the Participant, or the Participant's spouse, Beneficiary, or dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B) of the Code), (b) loss of the Participant's property due to casualty, or (c) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant's control, all as determined by the Administration Committee based on the relevant facts and circumstances and as provided for in Treas. Reg. §1.409A-3(i)(3) or any successor provision. Examples of potential Unforeseeable Emergencies include the following:

- (i) the need to rebuild a home following damage to a home not otherwise covered by insurance;
- (ii) the imminent foreclosure of or eviction from the Participant's primary residence;
 - (iii) the need to pay for medical expenses, including nonrefundable deductibles, as well as for the costs of prescription drug medication; and
- (iv) the need to pay for funeral expenses of a spouse, a Beneficiary, or a dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B) of the Code).

Whether a Participant is faced with an Unforeseeable Emergency under the Plan is to be determined based on the relevant facts and circumstances of each case, but in any case, a withdrawal on account of an Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (a) through reimbursement or compensation from insurance or otherwise, (b) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or (c) by cessation of deferrals under the Plan.

Withdrawal because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), as determined by the Administration Committee, in its sole discretion. The Participant must apply in writing for a payment upon an "Unforeseeable Emergency," using the form prescribed by the Administration Committee. The Administration Committee retains the sole and absolute discretion to grant or deny a payment upon an Unforeseeable Emergency. Payment of any amount withdrawn under this Section 3-5 shall be made as soon as administratively possible but in no event more than ninety (90) days following the determination of an Unforeseeable Emergency by the Administration Committee. A Participant's deferrals shall not cease following a payment upon an Unforeseeable Emergency.

Sec. 3-6. Scheduled Distribution Dates and Forms for Payment. Subject to Sections 3-7, 3-8 and 3-11:

(i) (a) except as otherwise provided in this Section 3-6, each Election Period each Designated Employee shall elect separate Scheduled Distribution Dates for distribution of the amounts, if any, credited during the Plan Year to which the Election Period relates, for each of (1) the portion of the Deferred Compensation Account attributable to deferrals provided for in Sections 3-2(ii) and (iii), and (2) the portion of the Deferred Compensation Account attributable to deferrals provided for in Section 3-2(iv), and the Benefit Restoration Account for such Designated Employee pursuant to Section 3-3, along with the earnings on such amounts; provided, however, that any Scheduled Distribution Date designated by such Designated Employee shall be no earlier than two (2) years following the end of the Plan Year to which such designation relates;

(b) effective as of the Election Period beginning on or after November 1, 2008 and ending on or prior to December 31, 2008, for any Participant who had amounts credited to one or both of his Accounts in the New Plan for the 2005 through 2008 Plan Years, such Participant had the right to elect, during such Election Period a single Scheduled Distribution Date (which shall be no earlier than July, 2010) for all such amounts, if any, credited during those Plan Years prior to 2009 to the Deferred Compensation Account and the Benefit Restoration Account for such Participant, along with the earnings on such amounts. The election described in this paragraph (b) was intended to comply, where applicable, with the transition relief provided, with respect to Section 409A of the Code by (1) Notice 2005-1, Q&A 19(c) issued by the Internal Revenue Service ("IRS") and the U.S. Department of the Treasury, (2) the IRS Proposed Regulations under Section 409A of the Code published on October 4, 2005, (3) Notice 2006-79 issued by the IRS and the U.S. Department of the Treasury, (4) the IRS Final Regulations under Section 409A of the Code effective April 17, 2007, and (5) Notice 2007-86 issued by the IRS and the U.S. Department of the Treasury (collectively, the "409A Transition Relief") and shall be interpreted in all respects to be consistent with and in compliance with the 409A Transition Relief;

(c) effective as of the Election Period beginning on or after November 1, 2008 and ending on or prior to December 31, 2008 for any Participant who had amounts credited to one or both of his Accounts in the New Plan on November 1, 2008 which are attributable to amounts from the merged Frozen DCP, such Participant was entitled to elect during such Election Period a single Scheduled Distribution Date (which shall be no earlier than July, 2010) for all such amounts, if any, attributable to the Frozen DCP as of November 1, 2008 and credited to the Deferred Compensation Account and the Benefit Restoration Account for such Participant, along with the earnings on such amounts. The election described in this paragraph (c) was intended to comply, where applicable, with the 409A Transition Relief and shall be interpreted in all respects to be consistent with and in compliance with the 409A Transition Relief. Such election shall not apply to the Frozen Non-Qualified Pension Plan Deferrals;

(d) the elections provided for in this Section 3-6(i) shall be made in such manner (including without limitation, telephonic and electronic transmission, utilization of voice response systems and computer entry, to the extent such form is permissible under Section 409A of the Code) as specified by the Administration Committee, subject to Section 3-6(ii) and (iii) below. Any such election shall remain in effect until a subsequent distribution election, if any, becomes effective;

(e) the Scheduled Distribution Date from and after January 1, 2009 for any amount credited during a Plan Year to the Benefit Restoration Account of a Participant who is not a Designated Employee for that Plan Year is the January of the 3rd Plan Year following the Plan Year in which such amount is credited to such Account;

(f) notwithstanding the foregoing provisions of this Section 3-6(i), in no event shall the Scheduled Distribution Date designated by any Participant be later than the month in which such Participant attains age seventy-five (75).

(ii) At the time of the elections provided for in Section 3-6(i), a Participant shall elect to receive distribution of the amounts credited to his Accounts for the applicable Scheduled Distribution Date in one of the following forms:

(a) a lump sum payable during the Participant's Scheduled Distribution Date;

(b) annual installments to be paid over five (5) consecutive years, with the first installment being paid during the Participant's Scheduled Distribution Date, and the subsequent installments being paid during the next four (4) anniversaries of such Scheduled Distribution Date; or

(c) annual installments to be paid over ten (10) consecutive years, with the first installment being paid during the Participant's Scheduled Distribution Date, and the subsequent installments being paid during the next nine (9) anniversaries of such Scheduled Distribution Date.

(iii) If a Participant fails or refuses to make an election of either the date or form of payment for any Plan Year pursuant to Sections 3-6(i)(a) and/or (ii), the amounts credited to such Participant's Accounts for such Plan Year shall be paid in a lump sum, in the case of a failure to elect a form of payment, and in January of the third (3rd) Plan Year following such Plan

Year, in the case of a failure to elect a date of payment. If a Participant fails or refuses to make an election of either the date or form of payment pursuant to Sections 3-6(i)(b) and/or (i)(c) and 3-6(ii), the amounts credited to such Participant's Accounts attributable to the Frozen DCP or the New Plan for the 2005 through 2008 Plan Years shall be paid (a) in the case of any Participant not described in clause (b) or (c) below, in a lump sum in January, 2012, (b) in the case of any Participant whose election under the Frozen DCP or the New Plan, as the case may be, (the "Previous Election") provided for a lump sum payment upon attainment of age 60 or 65 in 2009, in a lump sum on the date in 2009 when such Participant attains age 60 or 65, and (c) in the case of any Participant in the Frozen DCP whose scheduled date of distribution, determined as of November 1, 2008, was to occur in 2009, on such scheduled date in 2009 in the form of payment set forth in such Participant's Previous Election.

(iv) Any amount credited during a Plan Year to the Benefit Restoration Account of a Participant who is not a Designated Employee for that Plan Year shall be distributed in a lump sum.

(v) Any Scheduled Distribution Date and/or form of distribution from Accounts, whether previously elected or otherwise specified, may be revoked and a new election substituted therefore at any time as permitted by the Administration Committee. A Participant may change the Scheduled Distribution Date and/or form of distribution from the Scheduled Distribution Date and/or form first elected or specified to another Scheduled Distribution Date and/or form provided for in Section 3-6(i) and (ii) by submitting an appropriate election form to the Administration Committee in accordance with the following criteria:

(a) the new election shall not take effect until at least twelve (12) months after the date on which the new election is made;

(b) the new election must include a Scheduled Distribution Date which is at least five (5) years after the Scheduled Distribution Date (as determined in accordance with the Final Regulations under Section 409A of the Code) that otherwise would have been applicable;

(c) the election must be made at least twelve (12) months prior to the Scheduled Distribution Date that otherwise would have been applicable. For purposes of applying the provisions of this Section 3-6(v), a Participant's election to change the Scheduled Distribution Date and/or form of distribution shall not be considered to be made until the date on which the election becomes irrevocable. Such election shall become irrevocable when it is received by the Administration Committee; and

(d) the elections provided for in this Section 3-6(v) shall be made in such manner (including without limitation, telephonic and electronic transmission, utilization of voice response systems and computer entry, to the extent such form is permissible under Section 409A of the Code) as specified by the Administration Committee. Subject to the requirements of this Section 3-6(v), the election form most recently accepted by the Administration Committee that has become effective shall govern the Scheduled Distribution Date and/or form of distribution of the amounts credited to the Participants' Accounts.

(vi) Notwithstanding the foregoing provisions of this Section 3-6 and Section 3-7, none of the election provisions set forth herein shall apply to the Frozen Non-Qualified Pension Plan

Deferrals, which shall be paid in accordance with the distribution option selected by the Participant under or otherwise provided by, and shall be governed by the terms of the Frozen DCP as in effect prior to November 1, 2008.

Sec. 3-7. Distribution of Participant Accounts.

- (i) TI shall maintain each Participant's bookkeeping Deferred Compensation Account and/or Benefit Restoration Account until distributed as provided in Sections 3-6(ii) and (iii), subject to Section 6-1(ii).
- (ii) Notwithstanding the foregoing, and except as otherwise provided in this paragraph, in the event of the death of a Participant prior to the receipt of the full amount to be distributed, the then balance credited to the Participant's Accounts will, subject to Section 3-8, be distributed as soon as practicable following the month in which the death occurred, but in no event later than ninety (90) days following the date of death. Such distribution shall be made to the Beneficiary or Beneficiaries designated by the Participant, or if there is no Beneficiary designation under this Plan, to the Participant's beneficiary or beneficiaries under the TI 401(k) Savings Plan or TI Contribution and 401(k) Savings Plan, as applicable. If no beneficiary was designated under either of those plans, distribution will be made to the Participant's estate. In the case of amounts in a Participant's Deferred Compensation Account composed of Frozen Non-Qualified Pension Plan Deferrals, in the event of the death of the Participant prior to the receipt of those amounts in full, the balance of those amounts shall be paid pursuant to the provisions of the Frozen DCP as in effect prior to November 1, 2008.
- (iii) Accounts shall be adjusted to reflect all distributions.
- (iv) Distributions and withdrawals under this Article III shall be made by check or electronic fund transfer and may be made through a paying agent or recordkeeper selected by the Administration Committee. Benefits payable under this Plan may not be rolled over or transferred to an individual retirement account or to any other employee benefit plan.

Sec. 3-8. Limitation on Time of Distribution. If TI reasonably anticipates that any amount to be paid to a Participant on any Scheduled Payment Date will not to be deductible due to the application of Section 162(m) of the Code, such payment of such amount may be delayed until January of the Plan Year in which TI reasonably anticipates the deduction of such amount will not be prohibited by said Section 162(m). The delay provided for in this Section 3-8 shall not apply unless all scheduled payments to which the Participant would be entitled which could be delayed in accordance with the provisions of this Section 3-8 also are delayed.

Sec. 3-9. Taxes. TI makes no guarantees and assumes no obligation or responsibility with respect to a Participant's or payee's federal, state, or local income, estate, inheritance or gift tax obligations, if any, under this Plan or any Deferred Compensation Agreement. Any taxes required to be withheld from payments hereunder shall be deducted and withheld by the Company, benefit provider or funding agent appointed under the Plan.

Sec. 3-10. Assignment. Except as provided in Section 3-11 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.

Sec. 3-11. Alternate Payee Claims. Any claim against any benefits hereunder for child support, spousal maintenance, property settlement or alimony (an “Alternate Payee Claim”) shall be treated in the same manner as would a claim for corresponding benefits under the TI Contribution and 401(k) Savings Plan or the TI 401(k) Savings Plan, and shall be subject to all claims provisions and restrictions of those plans; provided, however, that the distribution of benefits hereunder in satisfaction of an Alternate Payee Claim shall be made in a lump-sum payment as soon as practicable after the determination of the validity of the claim. No order issued pursuant to an Alternative Payee Claim may require payment in any other form than a full lump sum distribution equal to the present value (as determined by the Administration Committee) of the Alternate Payee Claim. The provisions of Section 3-6 governing changes in the time and form of payment of benefits under this Plan do not apply to elections by individuals other than the Participant, with respect to payments to a person other than the Participant, to the extent such elections are reflected in or made in accordance with the terms of a “domestic relations order” (as defined in Section 414(p)(1)(B) of the Code).

Sec. 3-12. Incompetent. If the Administration Committee determines in its sole discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person’s property, the Administration Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Administration Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit.

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 Company, in its absolute and sole discretion, deems appropriate.

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

Article V **Administration of the Plan**

Sec. 5-1. Administration. The Plan shall be administered by the Administration Committee and its designees. The duties of the Administration Committee and its designees include (but not by way of limitation) (a) the defense of lawsuits and conduct of litigation in the name of the Plan (subject to the approval of the General Counsel of TI), (b) the full power and discretion to interpret and construe this Plan where it concerns (i) questions of eligibility or status, and (ii) subject to the opportunity for review of denied claims pursuant to Section 5-5 below, the rights of Participants and others hereunder, and (c) the power in general to decide any dispute arising under this Plan. In all such cases, the determination of the Administration Committee and its designees shall be final, conclusive and binding with respect to Participants and Beneficiaries.

Sec. 5-2. Number and Selection. The Administration Committee shall consist of one or more members who shall be appointed by the Chief Executive Officer of TI or his designee.

Sec. 5-3. Action by Administration Committee. All actions of the Administration Committee 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 Administration Committee or without a meeting by a resolution or memorandum signed by all the persons then appointed as members of the Administration Committee. No member of the Administration Committee shall be entitled to vote or decide upon any matter pertaining to himself individually but such matter shall be determined by the remaining members or by a majority of the remaining members of the Administration Committee, if any.

The Administration Committee may delegate some or all of its powers and responsibilities to any other person or entity, who may or may not be a named fiduciary, and may permit further delegation of its powers. The Administration Committee 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. Accounts of Participants. The Administration Committee shall maintain records of all Accounts of Participants and such other records and data as may be necessary and appropriate for the proper administration of the Plan and to determine the amounts distributable to Participants and Beneficiaries. The Administration Committee in its discretion shall determine whether, and to what extent, Participant Accounts will be charged with the expenses of administration of the Plan. Expenses charged against Participant Accounts shall be charged as adjustments under Section 3-4 and Section 3-7, as applicable. Expenses of the Plan not charged to Participant Accounts shall be paid by TI.

Sec. 5-5. Rules and Regulations. The Administration Committee may adopt and promulgate such rules and regulations as it may deem appropriate for the administration of the Plan. The Administration Committee 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 Administration Committee of the decision denying the claim.

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

Sec. 5-6. Reliance on Documents. The Administration Committee 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, Compensation Committee or Administration Committee, or any officer or employee of TI shall be liable for any act done or omitted by him with respect to the Plan except for his own willful misconduct.

Sec. 5-8. Resignation or Removal. Any Administration Committee member may resign by giving written notice to the Chief Executive Officer of TI and may be removed by the Chief Executive Officer of TI by written notice given to the affected member of the Administration Committee. Upon the death, resignation, removal or inability of any Administration Committee member to act as such, the Chief Executive Officer of TI may appoint a successor.

Sec. 5-9. Information; Overpayment or Underpayment of Benefits. In implementing the terms of this Plan, the Administration Committee may, without the consent or notice to any person, release to, or obtain from any entity or other organization or person information with respect to any persons which the Administration Committee deems to be necessary for such purpose. Any Participant or Beneficiary claiming benefits under this Plan shall furnish to the Administration Committee 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 Administration Committee 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 or the distribution of any underpayment of benefits. If an overpayment is made to a Participant or Beneficiary for whatever reason, the Administration Committee, 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. If an underpayment to a Participant or Beneficiary occurs for whatever reason, the Administration Committee, in its sole discretion, may correct the underpayment.

Sec. 5-10. Notice. Any notice required or permitted to be given to the Administration Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Texas Instruments
Attn: Deferred Compensation Plan
Administration Committee
7839 Churchill Way, MS 3905
Dallas, Texas 75251-1901

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

Article VI **General Provisions**

Sec. 6-1. Amendment, Termination.

(i) The Compensation Committee may change, amend, modify, alter, or terminate the Plan at any time and in any manner, prospectively or retroactively (or may delegate such authority), except that no such amendment, modification, or alteration shall divest any Participant of any deferral made prior to the amendment. In addition, no such amendment shall modify the Plan in any way that would violate Section 409A of the Code. The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation to continue this Plan or makes any promise to pay benefits other than as provided under this Plan.

(ii) The Board of Directors reserves to its Compensation Committee the right to discontinue deferrals under a Deferred Compensation Agreement at any time. Following a termination of the Plan, the Participants' Accounts shall continue to be credited with amounts attributable to a deferral election that was in effect prior to the Plan termination to the extent

deemed necessary to comply with Section 409A of the Code and related Treasury Regulations, and additional amounts earned prior to Plan termination shall continue to be credited or debited to such Participants' Accounts pursuant to Section 3-3. The investment funds available to Participants following the termination of the Plan shall be comparable in number and type to those investment funds available to Participants under the TI Contribution and 401(k) Savings Plan, excluding the TI Stock Fund and the Self Directed Brokerage Account. In addition, following a Plan termination, Participant Accounts shall remain in the Plan and shall not be distributed until such amounts become eligible for distribution in accordance with the other applicable provisions of the Plan. Notwithstanding the preceding sentence, to the extent permitted by Treas. Reg. §1.409A-3(j)(4)(ix), the Employer may provide that upon termination of the Plan, all Account balances of the Participants shall be distributed, subject to and in accordance with any rules established by such Employer deemed necessary to comply with the applicable requirements and limitations of Treas. Reg. §1.409A-3(j)(4)(ix).

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 the Beneficiary from receiving, in addition to any payments provided for under this Plan, any payments provided for under any other plan or benefit program of the Company, or which would otherwise be payable or distributable to him or his 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 compensation for employees.

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

Sec. 6-4. Status of Benefits in this Plan. No benefits accrued under, credited to Accounts under, or paid under this Plan shall constitute "earnings" or "compensation" for purposes of any other benefit plan sponsored by the Employers.

Sec. 6-5. Governing Law. This Plan shall be governed by the laws of the State of Texas, except to the extent preempted by ERISA and shall be governed by and subject to the Defense of Marriage Act (Public Law 104-199).

Sec. 6-6. 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 unenforceable, the remaining provisions of this Plan shall continue in full force and effect. This Plan shall be construed in accordance with the laws of the State of Texas, except to the extent otherwise required by applicable federal law, and shall be construed in accordance with Section 409A of the Code and the applicable guidance thereunder. Heading and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. Where this Plan supplements benefits under the TI 401(k) Savings Plan or the TI Contribution and 401(k) Savings Plan, this Plan is functionally and operationally related to such plans, and is to be interpreted in a manner consistent with the TI 401(k)

Savings Plan and the TI Contribution and 401(k) Savings Plan to provide the benefits contemplated hereunder in a comprehensive manner.

**AMENDMENT NO. 1
TO THE
TI DEFERRED COMPENSATION PLAN
(EFFECTIVE JANUARY 1, 2009)**

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation, pursuant to the authority granted in Section 6-1 of the TI Deferred Compensation Plan (Effective January 1, 2009) (the "Plan"), does hereby amend the Plan effective as of January 1, 2010, except as otherwise provided herein, as follows:

1. Article I of the Plan is amended by adding the following new Section 1-6A:

Sec. 1-6A. Change in Control. "Change in Control" means an event that will be deemed to have occurred:

- (i) On the date any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding stock under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, acquires ownership of stock of the Company that, together with stock held by such Person, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company. However, if any Person is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person is not considered to be a Change in Control;
- (ii) On the date a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; or
- (iii) On the date any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or group) assets from the Company that have a total gross fair market value equal to or more than eighty percent (80%) of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. However, there is no Change in Control when there is such a sale or transfer to (i) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's then outstanding stock; (ii) an entity, at least fifty percent (50%) of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns, directly or indirectly, at least fifty percent (50%) of the total value or voting power of the outstanding stock of the Company; or (iv) an entity, at least fifty percent (50%) of the total value or voting power of the stock of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, at least fifty percent (50%) of the total value or voting power of the outstanding stock of the Company.
- (iv) For purposes of (i), (ii) and (iii) above,

- (a) “Affiliate” shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended;
- (b) “Board” means the Board of Directors of the Company;
- (c) “Person” shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code; and
- (d) “Subsidiary” means any entity whose assets and net income are included in the consolidated financial statements of the Company audited by the Company’s independent auditors and reported to stockholders in the annual report to stockholders.
- (v) Notwithstanding the foregoing, in no case will an event in (i), (ii) or (iii) be treated as a Change in Control unless such event also constitutes a “change in control event” with respect to the Company within the meaning of Treas. Reg. § 1.409A-3(i)(5) or any successor provision.

2. Article I of the Plan is amended further by adding the following new Section 1-18A:

Sec. 1-18A. Involuntary Termination. “Involuntary Termination” shall mean a Termination of Employment, other than for cause due to the independent exercise of unilateral authority of TI to terminate the Participant’s services, other than due to the Participant’s implicit or explicit request, where the Participant was willing and able to continue to perform services, in accordance with Treas. Reg. § 1.409A-1(n)(1) or any successor provision.

3. Article I of the Plan is amended further by adding the following new Section 1-22A:

Sec. 1-22A. Specified Employee. “Specified Employee” shall mean an employee who is a “specified employee” (as defined in Section 409A(2)(B)(i) of the Code) for the applicable period, as determined by the Committee in accordance with Treas. Reg. § 1.409A-1(i), or any successor provision.

4. Article I of the Plan is amended further by adding the following new Section 1-23A:

Sec. 1-23A. Termination of Employment. “Termination of Employment” shall mean the date on which the Participant has incurred a “separation from service” within the meaning of Treasury Regulation section 1.409A-1(h) or any successor provision.

5. Section 2-3 of the Plan is amended, effective as of January 1, 2009, by striking said Section and substituting in lieu thereof the following new Section 2-3:

Sec. 2-3. Participation in a Benefit Restoration Account for Participants in the TI Contribution and 401(k) Savings Plan.

- (i) An Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of the Participant will be credited with the excess of:
 - (a) the sum, if any, of (1) the contributions which would have been credited to such Participant’s “Contribution Account” under the TI Contribution and 401(k) Savings Plan for that Plan Year if the Employee’s “Compensation,” as defined in the TI Contribution and 401(k) Savings Plan, was not subject to the limitations under Section

401(a)(17) of the Code and/or Section 415 of the Code for such Plan Year, and (2) if the Eligible Employee is a Designated Employee, the contributions which would have been credited to such Participant's "Contribution Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year, if the Employee's "Compensation," as defined in the TI Contribution and 401(k) Savings Plan, had not been reduced during that Plan Year because the Participant deferred Regular Compensation or deferred a Year-End Performance Bonus under this Plan which was paid in that Plan Year; over

(b) the contributions actually credited to such Participant's "Contribution Account" for such Plan Year.

(ii) An Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of such Participant will be credited with an amount equal to the excess of:

(a) the lesser of (1) four percent (4%) of the Eligible Employee's "Compensation," as defined in the TI Contribution and 401(k) Savings Plan for that Plan Year if the Eligible Employee's "Compensation" (A) was not subject to the limitations under Section 401(a)(17) and/or Section 415 of the Code for such Plan Year and, (B) in the case of an Eligible Employee who is a Designated Employee, had not been reduced during that Plan Year because the Eligible Employee deferred Regular Compensation or deferred a Year-End Performance Bonus under this Plan which was paid in that Plan Year, or (2) the sum of (A) the "Employer 401(k) Contributions actually credited to such Eligible Employee's "401(k) Account" pursuant to Section 4-1(a) of the TI Contribution and 401(k) Savings Plan, plus (B) the amount of the Regular Compensation and/or a Year-End Performance Bonus which was paid in such Plan Year deferred by the Eligible Employee under this Plan for such Plan Year; over

(b) the "Employer 401(m) Contributions" actually credited to such Participant's "401(k) Account" under the TI Contribution and 401(k) Savings Plan for that Plan Year;

provided that no benefit restoration shall be made pursuant to this Section 2-3(ii) unless the Eligible Employee has made an election under the TI Contribution and 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code, including, in the case of any Participant eligible to make catch-up contributions, the maximum amount of catch-up contributions permitted under Section 414(v) of the Code.

6. Section 2-4 of the Plan is amended, effective as of January 1, 2009, by striking said Section and substituting in lieu thereof the following new Section 2-4:

Sec. 2-4. Participation in a Benefit Restoration Account for Participants in the TI 401(k) Savings Plan. A Designated Employee who otherwise is an Eligible Employee will become a Participant in this Plan, and a Benefit Restoration Account in the name of such Participant will be credited with "Employer Matched Savings Contributions" not credited to the Participant's "401(k) Account" under the TI 401(k) Savings Plan for that Plan Year solely because the Participant deferred Regular Compensation or deferred a Year-End Performance Bonus under this Plan which was paid in that Plan Year, as of the earliest date the Regular Compensation or Year-End Performance Bonus is credited to the Participant's Deferred Compensation Account pursuant to Section 3-2 below; provided that the Participant has made an election under the TI 401(k) Savings Plan to defer the maximum amount of compensation permitted under Section 402(g) of the Code,

and provided further that such contribution, when added to any "Matched Savings Contribution" actually made pursuant to the TI 401(k) Savings Plan, does not exceed 2% of such Participant's Compensation during the Plan Year as limited by Section 401(a)(17) of the Code.

7. Section 3-7 of the Plan is amended by adding the following new Section 3-7(iii) and renumbering current Sections 3-7(iii) and (iv) as Sections 3-7(iv) and (v):

- (iii)(a) Notwithstanding the foregoing, in the event a Participant experiences an Involuntary Termination within 24 months after a Change in Control, such Participant shall receive a distribution of the balances credited to the Participant's Accounts which are attributable to amounts credited to those Accounts in Plan Years beginning on and after January 1, 2010, except that with respect to amounts credited to a Participant's Account attributable to deferred Year-End Performance Bonuses and deferred Cash Profit Sharing Compensation, the provisions of this Section 3-7(iii)(a) shall only apply to such amounts credited to the Participant's Accounts beginning on and after January 1, 2011.
- (b) To the extent permitted without additional tax or penalty by Section 409A of the Code, the amounts to be distributed pursuant to this Section 3-7(iii) shall be paid in a lump sum on, or as soon as practicable (but no later than ninety (90) days) after, the Participant's Involuntary Termination, provided, however, that if the Participant is a Specified Employee upon such Involuntary Termination, and the limitations set forth in Section 409A(a)(2)(B)(i) of the Code are applicable to such Participant, said amounts shall be distributed in a lump sum as soon as practicable (but no more than ten (10) days) after, the earlier of (1) the first day of the seventh month following such Participant's Involuntary Termination, or, (2) the date of death of such Participant; and
- (c) To the extent that distributions of amounts pursuant to this Section 3-7(iii) are not permitted without additional tax or penalty by Section 409A of the Code, the affected Participants shall receive distribution of the amounts referred to in this Section 3-7(iii) at the appropriate Scheduled Distribution Dates and in the appropriate forms of payment otherwise elected by such Participants.

The undersigned hereby adopts this AMENDMENT NO. 1 TO THE TI DEFERRED COMPENSATION PLAN on this 22 day of December, 2009, effective as of the dates set forth above, reflecting amendments approved by the Compensation Committee of the Board of Directors of Texas Instruments Incorporated on September 17, 2009 and amendments adopted pursuant to authority delegated by the Board of Directors of Texas Instruments Incorporated.

By: /s/ DARLA WHITAKER
Darla Whitaker
Senior Vice President - Human Resources

**AMENDMENT NO. 2
TO THE
TI DEFERRED COMPENSATION PLAN
(EFFECTIVE JANUARY 1, 2009)**

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation, pursuant to the authority granted in Section 6-1 of the TI Deferred Compensation Plan (Effective January 1, 2009) (the "Plan"), does hereby amend the Plan, effective as of August 1, 2012, as follows:

1. Section 3-6(v) of the Plan is amended by striking the first sentence of said Section and substituting in lieu thereof the following new sentence:

Any Scheduled Distribution Date and/or form of distribution from Accounts, whether previously elected or otherwise specified, may be revoked by a Participant and a new election substituted therefore as permitted by the Administration Committee, but in no event may a new election with respect to a specific amount subject to a Scheduled Distribution Date provided for in Section 3-6(i)(a) and/or form of distribution provided for in Section 3-6(ii) be made more often than once in any twelve (12)-month period.

The undersigned hereby adopts this AMENDMENT NO. 2 TO THE TI DEFERRED COMPENSATION PLAN on this 30th day of July, 2012, effective as of the date set forth above, reflecting an amendment adopted pursuant to authority delegated by the Board of Directors of Texas Instruments Incorporated.

By: /s/ DARLA WHITAKER
Darla Whitaker
Senior Vice President - Human Resources

**TI EMPLOYEES NON-QUALIFIED PENSION PLAN II
(EFFECTIVE JANUARY 1, 2009)**

TI EMPLOYEES NON-QUALIFIED PENSION PLAN II

TEXAS INSTRUMENTS INCORPORATED, a Delaware corporation with its principal offices in Dallas, Texas (hereinafter referred to as "TI" or "the Company"), froze the TI Employees Supplemental Pension Plan (the "Frozen Plan"), effective as of December 31, 2004, to the extent benefits under that plan were earned and vested as of that date, and continued said plan in accordance with its terms, to provide for the payment of the benefits which were earned, vested and frozen as of December 31, 2004. Subsequently, TI changed the name of the Frozen Plan to the TI Employees Non-Qualified Pension Plan.

Effective as of January 1, 2005, TI established a new non-qualified pension plan (the "New Plan") in order to provide (i) for the payment of the frozen earned benefits under the Frozen Plan which were not vested as of January 1, 2005, and (ii) to provide a select group of management or highly compensated employees described in Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") with the opportunity to restore certain benefits which cannot be provided under the TI Employees Pension Plan from and after January 1, 2005 as a result of (a) deferral of compensation under a new deferred compensation plan established effective as of January 1, 2005 (known from and after January 1, 2009 as the "TI Deferred Compensation Plan"), or (b) the application of Section 401(a)(17) and/or Section 415 of the Internal Revenue Code of 1986, as amended (the "Code"). TI maintained the New Plan in accordance with the interim guidance promulgated under Section 409A of the Code. In addition, for periods prior to January 1, 2009 the benefits payable under the New Plan may be deferred pursuant to the terms and provisions of the new deferred compensation plan established effective as of January 1, 2005. The benefits provided under the New Plan are unfunded with the result that the participants in the Plan are general unsecured creditors of TI.

TI hereby amends and restates the New Plan, effective as of January 1, 2009 (the "Plan"), in the form provided herein in order to remove the option of deferring payment of the benefits under this Plan, to remove the entitlement to benefits upon a Change in Control, as defined in the New Plan, to comply with the Final Treasury Regulations under Section 409A of the Code and to name the New Plan the "TI Non-Qualified Pension Plan II." 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.

Except as otherwise provided herein, the earning of benefits and payment of those benefits under the New Plan shall be governed by the applicable interim guidance under Section 409A of the Code in effect prior to January 1, 2009, and the earning of benefits and payment of those benefits from and after January 1, 2009 shall be governed by the terms and conditions of this Plan.

Article I

Definitions

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. Administration Committee. “Administration Committee” 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, entity or entities, trust or trusts, or the Participant’s estate, including one or more organizations described in each of Sections 170(c), 2055(a), and 2522(a) of the Code (or any substitute provisions), named by a Participant who is not married as his Beneficiary or contingent Beneficiary under the TI Employees Pension Plan. “Beneficiary” means, in the case of a married Participant, the spouse (as defined in the Defense of Marriage Act) of the Participant at the time of his death, unless the Participant has designated another joint annuitant, contingent annuitant, Beneficiary, or contingent Beneficiary under the TI Employees Pension Plan, in which case such persons or person, entity or entities, trust or trusts, or the Participant’s estate 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.

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

Sec. 1-6. Employee. “Employee” means any employee of TI or its Subsidiaries, whether full or part-time, other than an employee who is defined as a “Tucson Participant” in Appendix E of the TI Employees Pension Plan.

Sec. 1-7. Employer. “Employer” means Texas Instruments Incorporated.

Sec. 1-8. ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

Sec. 1-9. Participant. “Participant” means an individual entitled to a supplemental pension pursuant to the provisions of Article III.

Sec. 1-10. Plan Year. “Plan Year” means a calendar year.

Sec. 1-11. Present Value. “Present Value” means, at any time, the actuarial lump sum value determined at such time of the applicable benefit, based on the actuarial assumptions used to determine single sum payments as set forth in Section 1.2(b)(2)(B), or any successor provision, of the TI Employees Pension Plan.

Sec. 1-12. Separation from Service. “Separation from Service” means a termination of services provided by a Participant to an Employer and any other member of the controlled group of corporations (as defined in Section 414(b) of the Code) which includes TI (hereinafter for purposes of this Section 1-12, TI and such other controlled group members being referred to as “ERISA Affiliates”), whether voluntarily or involuntarily, other than by reason of death, as determined by the Administration Committee in accordance with Treas. Reg. §1.409A-1(h). In determining whether a Participant has experienced a Separation from Service, the following provisions shall apply:

- (i) For a Participant who provides services to an Employer as an Employee, a Separation from Service shall occur when such Participant has experienced a termination of employment with the Employer or an ERISA Affiliate. A Participant shall be considered to have experienced a termination of employment when the facts and circumstances indicate that the Participant and the Employer reasonably anticipate that either (a) no further services will be performed for the Employer or an ERISA Affiliate after a certain date, or (b) that the level of bona fide services the Participant will perform for the Employer or an ERISA Affiliate after such date (whether as an Employee or as an independent contractor) will permanently decrease to no more than 20% of the average level of bona fide services performed by such Participant (whether as an Employee or an independent contractor) over the immediately preceding thirty-six (36) month period (or the full period of services to the Employer if the Participant has been providing services to the Employer less than thirty-six (36) months).
- (ii) If a Participant is on military leave, sick leave, or other bona fide leave of absence, the employment relationship between the Participant and the Employer shall be treated as continuing intact, provided that the period of such leave does not exceed six (6) months; or if longer, so long as the Participant retains a right to reemployment with the Employer or an ERISA Affiliate under an applicable statute or by contract. If the period of a military leave, sick leave, or other bona fide leave of absence exceeds six (6) months and the Participant does not retain a right to reemployment under an applicable statute or by contract, the employment relationship shall be considered to be terminated for purposes of the Plan as of the first business day immediately following the end of such six (6) month period. If a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months, where such impairment causes the Participant to be unable to perform the duties of his position of employment or any substantially similar position of employment, a twenty-nine (29) month period of absence shall be substituted for such six (6) month period. In applying the provisions of this paragraph, a leave of absence shall be considered a bona fide leave of absence only if there is a reasonable expectation that the Participant will return to perform services for an Employer or an ERISA Affiliate.

Sec. 1-13. Specified Employee. “Specified Employee” means any Participant who is determined to be a “key employee” (as defined under Section 416(i) of the Code without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Administration Committee in accordance with Treas. Reg. §1.409A-1(i). In determining whether a Participant is a Specified Employee, the following provisions shall apply:

- (i) Identification of the individuals who fall within the definition of “key employee” under Code Section 416(i) without regard to paragraph (5) thereof shall be based upon the twelve (12) month period ending on each December 31st (referred to below as the “identification date”). In applying the applicable provisions of Code Section 416(i) to identify such individuals, “compensation” shall be determined in accordance with Treas. Reg. §1.415(c)-2(a) without regard to (a) any safe harbor provided in Treas. Reg. §1.415(c)-2(d), (b) any of the special timing rules provided in Treas. Reg. §1.415(c)-2(e), and (c) any of the special rules provided in Treas. Reg. §1.415(c)-2(g); and
- (ii) Each Participant who is a “key employee” in accordance with part (i) of this Section shall be treated as a Specified Employee for purposes of this Plan if such Participant experiences a Separation from Service during the twelve (12) month period that begins on the April 1st following the applicable identification date.

Sec. 1-14. 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.

Article II
Eligibility and Participation

Sec. 2-1. *Eligibility and Participation.* Any Employee who was a Participant in the TI Employees Pension Plan on December 31, 1997 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 experience a Separation from Service 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. A vested Participant shall continue to participate in this Plan until such Participant has received payment of all benefits credited to or accrued by the Participant hereunder.

Article III
Supplemental Benefits

Sec. 3-1. *Supplemental Benefits.*

- (i) The benefit payable under this Plan to a Participant shall be the difference between the Present Value of the benefit actually payable under the TI Employees Pension Plan at the time of computation (based on the form of benefit for which the computation is made) and the Present Value of the benefit that would be payable under the TI Employees Pension Plan at such time of computation (in the same form as provided above) 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 TI Deferred Compensation Plan from earnings that would have constituted Compensation for such plan year under the TI Employees Pension Plan, had such amounts not been 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);
 - (c) The TI Employees Pension Plan contained no limit pursuant to Section 415 of the Code upon the maximum amount of pension that may be paid by the TI Employees Pension Plan (such as the limits in effect on January 1, 2008, under Section 12.1 of the TI Employees Pension Plan); and
 - (d) The TI Employees Pension Plan calculated “Average Credited Earnings” and “Benefit Service,” as defined in the TI Employees Pension Plan, from the Participant’s date of hire by the Employer.
- (ii) Notwithstanding the foregoing provisions of this Section 3-1, a Participant, at the time of a Separation from Service, may be placed on leave of absence. If such Participant becomes eligible for early retirement benefits from the TI Employees Pension Plan during such leave of absence, then the benefits to which such Participant is entitled under this Plan shall be calculated (a) taking into account the additional service credit such Participant is entitled to receive under the TI Employees Pension Plan as a result of the leave of absence and the early retirement subsidy to which such Participant is entitled, if any, under the TI Employees Pension Plan, and (b) actuarially reduced (based on the interest and mortality rates under Section 417(e) of the Code) from the Participant’s Earliest Payment Start Date as defined under the TI Employees Pension Plan to the date the benefits are actually paid under this Plan.

- (iii) To the extent a Participant is also a participant in the Frozen Plan, the benefit payable under this Plan shall be offset by the benefit payable under the Frozen Plan, as follows:
- (a) If the Participant, at the time of payment under this Plan, is not on a leave of absence, the offset shall be based on the Present Value of the benefits determined pursuant to the foregoing provisions of this Section 3-1, other than Section 3-1(ii), which are attributable to the vested benefits accrued under the TI Employees Pension Plan as of December 31, 2004 and otherwise payable under the Frozen Plan, as if payment of those vested benefits was being made from the Frozen Plan on the date the payment under this Plan is being made.
 - (b) If the Participant, at the time of payment under this Plan, is on a leave of absence, the offset shall be based on the actuarially reduced (applying the interest and mortality rates under Section 417(e) of the Code) Present Value of the benefits determined pursuant to the foregoing provisions of this Section 3-1, taking into account Section 3-1(ii), which are attributable to the vested benefits accrued under the TI Employees Pension Plan as of December 31, 2004 and otherwise payable under the Frozen Plan, as if payment of those vested benefits was being made from the Frozen Plan on the date the payment under this Plan is being made.

Sec. 3-2. Payment of Supplemental Benefit. Subject to Section 3-3, the benefit determined pursuant to Section 3-1 shall be paid in a lump sum to the person entitled thereto as soon as administratively practicable following the date on which the Participant's Separation from Service or death occurs, but in no event later than ninety (90) days following such Separation from Service or death, except in the case of a Specified Employee. If a Participant is a Specified Employee on the date on which a Separation from Service occurs, no payment shall be made before the first day after the end of the six (6)-month period immediately following the date on which the Participant experiences a Separation from Service. If a Participant is rehired after a Separation from Service but before payment occurs, that Participant shall receive the payment he is entitled to as a result of the initial Separation from Service at the time such payment would otherwise be made, without regard to his subsequent rehire.

Sec. 3-3. Restrictions. Except upon a Participant's Separation from Service followed by the rehire of said Participant before payment of the benefit pursuant to Section 3-2 is made, no benefits accrued under this Plan may be distributed to a Participant until after the date of a Participant's Separation from Service or death. 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. 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. Limitation on Time of Distribution. If TI reasonably anticipates that any amount to be paid to a Participant will not be deductible due to the application of Section 162(m) of the Code, such payment of such amount may be delayed until January of the Plan Year in which TI reasonably anticipates the deduction of such amount will not be prohibited by said Section 162(m). The delay provided for in this Section 3-4 shall not apply unless all payments to which the Participant would be entitled which could be delayed in accordance with the provisions of this Section 3-4 also are delayed.

Sec. 3-5. Taxes. TI makes no guarantees and assumes no obligation or responsibility with respect to a Participant's or payee's federal, state, or local income, estate, inheritance or gift tax obligations, if any, under this Plan. Any taxes required to be withheld from payments hereunder shall be deducted and withheld by the Company, benefit provider or funding agent appointed under the Plan.

Sec. 3-6. 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.

Sec. 3-7. Alternate Payee Claims. Any claim against any benefits hereunder for child support, spousal maintenance, property settlement, or alimony (an "Alternate Payee Claim") 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.

Sec. 3-8. Incompetent. If the Administration Committee determines in its sole discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent, or to a person incapable of handling the disposition of that person's property, the Administration Committee may direct payment of such benefit to the guardian, legal representative, or person having the care and custody of such minor, incompetent, or incapable person. The Administration Committee may require proof of minority, incompetence, incapacity, or guardianship as it may deem appropriate prior to distribution of the benefit.

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 Company in its absolute and sole discretion deems appropriate.

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

Article V **Administration of the Plan**

Sec. 5-1. Administration. The Plan shall be administered by the Administration Committee and its designees. The duties of the Administration Committee and its designees include (but not by way of limitation) (i) the defense of lawsuits and conduct of litigation in the name of the Plan (subject to the approval of the General Counsel of TI), (ii) the full power and discretion to interpret and construe this Plan where it concerns (a) questions of eligibility or status, (b) subject to the opportunity for review of denied claims pursuant to Section 5-5 below, the rights of Participants and others hereunder, and (c) the power in general to decide any dispute arising under this Plan. In all such cases the determination of the Administration Committee and its designees shall be final, conclusive and binding with respect to Participants and Beneficiaries.

Sec. 5-2. Number and Selection. The Administration Committee shall consist of one or more members who shall be appointed by the Chief Executive Officer of TI or his designee.

Sec. 5-3. Action by Administration Committee. All actions of the Administration Committee 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 Administration Committee or without a meeting by a resolution or memorandum signed by all the persons then appointed as members of the Administration Committee. No member of the Administration Committee shall be entitled to vote or decide upon any matter pertaining to himself individually but such matter shall be determined by the remaining members or by a majority of the remaining members of the Administration Committee, if any.

The Administration Committee may delegate some or all of its powers and responsibilities to any other person or entity, who may or may not be a named fiduciary, and may permit further delegation of its powers. The Administration Committee 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 Administration Committee shall maintain records and data as may be necessary and appropriate for the proper administration of the Plan and to determine the amounts distributable to Participants and Beneficiaries.

Sec. 5-5. Rules and Regulations. The Administration Committee may adopt and promulgate such rules and regulations as it may deem appropriate for the administration of the Plan and to determine the amounts distributable to Participants and Beneficiaries. The Administration Committee 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 Administration Committee of the decision denying the claim.

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

Sec. 5-6. Reliance on Documents. The Administration Committee 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, Compensation Committee or Administration Committee or any officer or employee of TI shall be liable for any act done or omitted by him with respect to the Plan except for his own willful misconduct.

Sec. 5-8. Resignation or Removal. Any Administration Committee member may resign by giving written notice to the Chief Executive Officer of TI and may be removed by the Chief Executive Officer of TI by written notice given to the affected member of the Administration Committee. Upon the death, resignation, removal or inability of any Administration Committee member to act as such, the Chief Executive Officer of TI may appoint a successor.

Sec. 5-9. Information; Overpayment or Underpayment of Benefits. In implementing the terms of this Plan, the Administration Committee may, without the consent or notice to any person, release to or obtain from any entity or other organization or person information with respect to any persons which the Administration Committee deems to be necessary for such purpose. Any Participant or Beneficiary claiming benefits under this Plan shall furnish to the Administration Committee 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 Administration Committee 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 an overpayment is made to a Participant or Beneficiary for whatever reason, the Administration Committee, 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. If an underpayment to a Participant or Beneficiary occurs for whatever reason, the Administration Committee, in its sole discretion, may correct the underpayment.

Sec. 5.10. Notice. Any notice required or permitted to be given to the Administration Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Texas Instruments
Attn: Non-Qualified Pension Plan II
Administration Committee
7839 Churchill Way, MS 3905
Dallas, Texas 75251-1901

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Any notice or filing required or permitted to be given to

a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

Article VI **General Provisions**

Sec. 6-1. *Amendment, Termination.* The Compensation Committee may change, amend, modify, alter, or terminate the Plan at any time and in any manner, prospectively or retroactively (or may delegate such authority), 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. In addition, no such amendment shall modify the Plan in any way that would violate Section 409A of the Code. The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation to continue this Plan and makes no promise to pay benefits other than as provided in this Plan determined at the time of any Plan discontinuance. In the event this Plan is terminated, a Participant's benefits under the Plan shall remain in the Plan and shall not be distributed until such benefits become eligible for distribution in accordance with the other applicable provisions of this Plan. Notwithstanding the preceding sentence, to the extent permitted by Treas. Reg. §1.409A-3(j)(4)(ix), the Employer may provide that upon termination of the Plan, all benefits for a Participant shall be distributed, subject to and in accordance with any rules established by such Employer deemed necessary to comply with the applicable requirements and limitations of Treas. Reg. §1.409A-3(j)(4)(ix).

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 under any other plan or benefit program of the Company, or which would otherwise be payable or distributable to him or his 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.

Sec. 6-4. *Status of Benefits in this Plan.* No benefits accrued or paid under this Plan shall constitute "earnings" or "compensation" for purposes of any other benefit plan sponsored by the Employers.

Sec. 6-5. *Governing Law.* This Plan shall be governed by the laws of the State of Texas, except to the extent preempted by ERISA and shall be governed by and subject to the Defense of Marriage Act (Public Law 104-199).

Sec. 6-6. *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 unenforceable, the remaining provisions of this plan shall continue in full force and effect. This Plan shall be governed and construed in accordance with the laws of the State of Texas, except to the extent otherwise required by applicable federal law, and shall be construed in accordance with Section 409A of the Code and the applicable guidance thereunder. Heading and subheadings are for the purpose of 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.

TEXAS INSTRUMENTS 2000 LONG-TERM INCENTIVE PLAN

As Amended October 16, 2008

Section 1. *Purpose.*

The Texas Instruments 2000 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.

Section 2. *Definitions.*

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

(a) “**Affiliate**” shall mean (i) any entity that, directly or indirectly, is controlled by the Company or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) “**Award**” shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) “**Award Agreement**” shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(d) “**Board**” shall mean the board of directors of the Company.

(e) “**Cash Flow**” for a period shall mean net cash provided by operating activities as determined by the Company's independent auditors in accordance with Generally Accepted Accounting Principles (GAAP) and reported to the Committee.

(f) “**Change of Control**” shall mean the first to occur of:

(i) an individual, corporation, partnership, group, associate or other entity or person, as such term is defined in Section 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”), other than the Company or any employee benefit plan(s) sponsored by the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30% or more of the combined voting power of the Company's outstanding securities ordinarily having the right to vote at elections of directors;

(ii) individuals who constitute the Board of Directors of the Company on the effective date of the Plan (the “Incumbent Board”) cease for any reason to constitute at least a majority thereof, provided that any Approved Director, as hereinafter defined, shall be, for purposes of this subsection (ii), considered as though such person were a member of the Incumbent Board. An “Approved Director,” for purposes of this subsection (ii), shall mean any person becoming a director subsequent to the effective date of the Plan whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee of the Company for director), but shall not include any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an individual, corporation, partnership, group, associate or other entity or person other than the Board;

(iii) the approval by the stockholders of the Company of a plan or agreement providing (A) for a merger or consolidation of the Company other than with a wholly-owned subsidiary and other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 65% of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (B) for a sale, exchange or other disposition of all or substantially

all of the assets of the Company. If any of the events enumerated in this subsection (iii) occurs, the Committee shall determine the effective date of the Change of Control resulting therefrom for purposes of the Plan;

(iv) In addition to the events described in subsections (i), (ii) and (iii), it shall be a "Change of Control" for purposes hereof for any Participant principally employed in the business of a Designated Business Unit, as hereinafter defined, if an event described in subsections (i), (ii) or (iii) shall occur, except that for purposes of this subsection (iv), references in such subsections to the "Company" shall be deemed to refer to the Designated Business Unit in the business of which the Participant is principally employed. A Change in Control described in this subsection (iv) shall apply only to a Participant employed principally by the affected Designated Business Unit. For purposes of this subsection (iv), "Designated Business Unit" shall mean any business down to the SBE minus 2 level sold by the Company in which the Company does not retain an equity interest and any other business unit identified as a Designated Business Unit by the Committee from time to time.

(g) **"Code"** shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) **"Committee"** shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under the Plan.

(i) **"Company"** shall mean Texas Instruments Incorporated, together with any successor thereto.

(j) **"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.

(k) **"Earnings Before Income Taxes, Depreciation and Amortization (EBITDA)"** shall mean net income from continuing operations plus (a) provision for income taxes, (b) depreciation expense and (c) amortization expense as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee.

(l) **"Earnings Per Share"** for a period shall mean diluted earnings per common share from continuing operation before extraordinary items as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee.

(m) **"Executive Group"** shall mean every person who is expected by the Committee to be both (i) 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 (ii) the recipient of compensation of more than \$1,000,000 for that taxable year.

(n) **"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.

(o) **"Incentive Stock Option"** shall mean an option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

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

(q) **"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.

(r) **"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.

(s) **"Non-Qualified Stock Option"** shall mean an option granted under Section 6 that is not intended to be an Incentive Stock Option.

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

(u) **"Other Stock-Based Award"** shall mean any right granted under Section 9.

(v) **"Participant"** shall mean an individual granted an Award under the Plan.

(w) **"Performance Unit"** shall mean any right granted under Section 8.

(x) **"Plan"** shall mean this Texas Instruments 2000 Long-Term Incentive Plan.

(y) **"Profit from Operations"** for a period shall mean the profit from operations as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee

(z) **"Profit from Operations Dollar Growth"** for a period shall mean the percentage change of profit from operations from one period to another as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee.

(aa) **"Profit from Operations Percentage Growth"** for a period shall mean the percentage change of profit from operations as a percent of revenue from one period to another as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee.

(bb) **"Restricted Stock"** shall mean any Share granted under Section 7.

(cc) **"Restricted Stock Unit"** shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

(dd) **"Return On Capital"** for a period shall mean net income divided by stockholders' equity as determined by the Company's independent auditors in accordance with GAAP and reported to the Committee.

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

(ff) **"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.

(gg) **"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.

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

(ii) **"Substitute Awards"** shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

(jj) **"Total Stockholder 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.

Section 3. *Eligibility.*

(a) Any individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor, including any officer or employee-director, shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

(c) Directors who are not full-time or part-time officers or employees are not eligible to receive Awards hereunder.

(d) Holders of options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder in connection with such acquisition or combination transaction.

Section 4. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the 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. No member or alternate member of the Committee shall be eligible, while a member or alternate member, for participation in the Plan. A director may serve as a member or alternate member of the Committee only during periods in which a director is an "outside director" as described in Section 162(m) of the Code. The Committee 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.

(b) 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 (including Substitute 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, consistent with Section 10(h), 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; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

Section 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 60,000,000 shares, plus any Shares remaining available for grant of awards under the Company's 1996 Long-Term Incentive Plan on the effective date of the Plan. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(e), (i) no Participant may receive Options and stock appreciation rights under the Plan in any calendar year that relate to more than 1,000,000 Shares and (ii) the maximum number of Shares with respect to which Awards may be made under Sections 7, 8 and 9 is 6,700,000. Awards may be made under Sections 7 and 9 without regard to such limit if (x) such Awards are made in satisfaction of Company obligations to employees that would otherwise be paid in cash or (y) such Awards are issued in connection with the exercise of an Option or other Award hereunder.

(b) If, after the effective date of the Plan, any Shares covered by an Award, or to which such an Award relates, are forfeited, or if such an Award otherwise terminates without the delivery of Shares or of other consideration, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan. For purposes of this Section 5(b), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards.

(c) In the event that any Option or other Award granted hereunder (other than a Substitute Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld. For purposes of this Section 5(c), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards.

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

(e) In the event 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 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 equitably 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, including the aggregate and individual limits specified in Section 5(a), (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*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a "stock right" outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

Section 6. *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:

(a) The purchase price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee.

(c) 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.

(d) 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.

(e) Under no circumstances may stock option awards be made which provide by their terms for the automatic award of additional stock options upon the exercise of such awards.

Section 7. *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.

(b) 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. If the vesting conditions applicable to an Award of Restricted Stock or Restricted Stock Units relate exclusively to the passage of time and continued employment or provision of services, or refraining therefrom, such time period shall consist of not less than 36 months, except that the foregoing restriction shall not apply to such Awards if they meet any of the conditions described in Section 5(a)(x) or (y).

(c) Any share of 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.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (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.

Section 8. *Performance Units.*

(a) The Committee is hereby authorized to grant Performance Units to Participants.

(b) 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.

Section 9. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to Participants such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) 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 Section 9 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 Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

Section 10. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) 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.

(c) 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 Section 10(h) and 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.

(d) Unless the Committee shall otherwise determine, (i) no Award 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; *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; (ii) 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; and (iii) no Award 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. The restrictions imposed by this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) 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.

(f) Every Award (other than an option or stock appreciation right) to a member of the Executive Group that the Committee determines should meet the deductibility requirements of Section 162(m) of the Code shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement by the Company or any unit thereof 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: (i) Cash Flow, (ii) Cycle Time Improvement, (iii) Earnings Per Share, (iv) EBITDA, (v) Manufacturing Process Yield, (vi) Market Share, (vii) Net Revenue Per Employee, (viii) Profit from Operations, (ix) Profit from Operations Dollar Growth, (x) Profit from Operations Percentage Growth, (xi) Return on Capital, (xii) Return on Common Equity, (xiii) Return on Net Assets, (xiv) Revenue Growth or (xv) Total Stockholder Return. For any Award (other than an option or stock appreciation right) subject to any such pre-established formula, no more than \$5,000,000 can be paid in satisfaction of such Award to any Participant; provided if such Award is denominated in shares, the maximum limit shall be 2,000,000 shares in lieu of such dollar limit.

(g) Unless specifically provided to the contrary in any Award Agreement, upon a Change in Control, all Awards shall become fully vested and exercisable, and any restrictions applicable to any Award shall automatically lapse.

(h) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, Restricted Stock or Other Stock-Based Award in the form of a stock appreciation right is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee explicitly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and the election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representations or covenants that any Award granted under the Plan will comply with Section 409A.

Section 11. *Amendment and Termination.*

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) 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, however*, that no such action shall impair the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan; and *provided further* that, except as provided in Section 5(e), no such action shall reduce the exercise price of any Option established at the time of grant thereof. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Company makes no representations or covenants that any action taken pursuant to this Section 11(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition 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. Any such action with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. However, the Company makes no representations or covenants that Awards will comply with Section 409A.

(d) 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.

Section 12. *Miscellaneous.*

(a) No employee, independent contractor, 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, independent contractors, 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) The Committee may delegate to another committee of the Board of Directors, 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 Exchange Act; *provided, however*, 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) 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 or from any compensation or other amount owing to a Participant 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 the required tax withholding based on the minimum statutory withholding rates.

(d) 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) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) 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.

(g) 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.

(h) 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.

Section 13. *Effective Date of Plan.*

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

Section 14. *Term of the Plan.*

No Award shall be granted under the Plan after the tenth anniversary of the effective date. 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 to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS 2003 LONG-TERM INCENTIVE PLAN

As Amended October 16, 2008

SECTION 1. *Purpose.*

The Texas Instruments 2003 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.

SECTION 2. *Definitions.*

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

(a) "**Affiliate**" shall mean (i) any entity that, directly or indirectly, is controlled by the Company or (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "**Award**" shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) "**Award Agreement**" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(d) "**Board**" shall mean the board of directors of the Company.

(e) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) "**Committee**" shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee of the Board shall be the Committee under the Plan.

(g) "**Company**" shall mean Texas Instruments Incorporated, together with any successor thereto.

(h) "**Exchange Act**" shall mean the Securities Exchange Act of 1934 as amended from time to time.

(i) "**Executive Officer**" shall mean an individual who is an executive officer of the Company as defined by Rule 3b-7 under the Exchange Act.

(j) "**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.

(k) "**Incentive Stock Option**" shall mean an option that meets the requirements of Section 422 of the Code, or any successor provision thereto.

(l) "**Inducement Award**" shall mean an Award granted to an individual to induce such individual to accept employment with the Company or an Affiliate to provide services to the Company or an Affiliate.

(m) "**Management**" shall mean all (i) officers of the Company, including Executive Officers, and (ii) employees of the Company in Pay Range 1 and 2.

(n) "**Option**" shall mean an option granted under Section 6.

(o) "**Other Stock-Based Award**" shall mean any right granted under Section 9.

(p) "**Participant**" shall mean an individual granted an Award under the Plan.

(q) “**Performance Unit**” shall mean any right granted under Section 8.

(r) “**Plan**” shall mean this Texas Instruments 2003 Long-Term Incentive Plan.

(s) “**Restricted Stock**” shall mean any Share granted under Section 7.

(t) “**Restricted Stock Unit**” shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) upon the terms and conditions set forth in the Plan and the applicable Award agreement.

(u) “**Shares**” shall mean shares of the common stock of the Company, \$1.00 par value.

(v) “**Substitute Awards**” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

SECTION 3. *Eligibility.*

(a) Any non-Management individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept non-Management employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such agreement.

(c) Directors are not eligible to receive Awards hereunder.

(d) Holders of options and other types of equity-based awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder in connection with such acquisition or combination transaction, provided that such holders are not Management or Directors at the time of grant.

(e) Awards may be granted to the trustee of a trust or the appropriate legal representative of a similar entity or arrangement established for the benefit of the individuals specified in paragraphs (a), (b) and (d) above, if necessary to realize tax, accounting, regulatory or other benefits in a jurisdiction other than the United States.

SECTION 4. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the 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. The Committee 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.

(b) 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 (including Substitute 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, including, but not limited to, the inclusion of a provision for the recovery of profits realized from the exercise of an Award if the Participant competes with the Company or becomes employed by a competitor of the Company; (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, consistent with Section 10(f), 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; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation, adopt rules, procedures, and sub-plans to the Plan relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures in foreign jurisdictions; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 240,000,000 shares.

(b) Any Shares underlying Substitute Awards or Inducement Awards shall not be counted against the Shares available for issuance under the Plan.

(c) If, after the effective date of the Plan, any Shares covered by an Award (other than a Substitute Award or an Inducement Award), or to which such an Award relates, are forfeited, or if such an Award otherwise terminates without the delivery of Shares or of other consideration or without delivery of the full number of shares underlying such Award, then the Shares covered by such Award, or to which such Award relates, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.

(d) In the event that any Option or other Award granted hereunder (other than a Substitute Award or an Inducement Award) is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Option or Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.

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

(f) In the event 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 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 equitably 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, the Committee may make provision for a cash payment to the holder of an outstanding Award; provided, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a "stock right" outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6. *Options.*

The Committee is hereby authorized to grant Options to eligible individuals as designated in Section 3 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:

(a) The purchase price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee.

(c) 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.

(d) Notwithstanding any provision of the Plan to the contrary, no incentive stock options (ISOs) shall be granted under this Plan.

(e) Under no circumstances may stock option awards be made that provide by their terms for the automatic award of additional stock options upon the exercise of such awards.

SECTION 7. *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to eligible individuals as designated in Section 3.

(b) 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.

(c) Any share of 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.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (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.

SECTION 8. *Performance Units.*

(a) The Committee is hereby authorized to grant Performance Units to eligible individuals as designated in Section 3.

(b) 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.

SECTION 9. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to eligible individuals as designated in Section 3 such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) 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 Section 9 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 Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 10. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) 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.

(c) 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 Section 10(f) and 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.

(d) Unless the Committee shall otherwise determine, (i) no Award 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; *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; (ii) 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; and (iii) no Award 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. The restrictions imposed by this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) 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.

(f) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, Restricted Stock or Other Stock-Based Award in the form of a stock appreciation right is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee explicitly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representations or covenants that any Award granted under the Plan will comply with Section 409A.

SECTION 11. *Amendment and Termination.*

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) 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, however*, that any such action that would adversely affect the rights of any Participant or holder or beneficiary under any Award theretofore granted under the Plan shall not to that extent be effective without the consent of such affected Participant, holder or beneficiary; and *provided further* that, except as provided in Section 5(f), no such action shall reduce the exercise price of any Option established at the time of grant thereof. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Company makes no representations or covenants that any action taken pursuant to this Section 11(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition 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. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with requirements of Section 409A. However, the Company makes no representations or covenants that Awards will comply with Section 409A.

(d) 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.

SECTION 12. *Miscellaneous.*

(a) No employee, independent contractor, 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, independent contractors, 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) The Committee may delegate to another committee of the Board, 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 eligible individuals or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by Participants; *provided, however*, 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) 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 or from any compensation or other amount owing to a Participant 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 the required tax withholding.

(d) 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) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) 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.

(g) 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.

(h) 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.

SECTION 13. *Effective Date of Plan.*

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

SECTION 14. *Term of the Plan.*

No Award shall be granted under the Plan after the tenth anniversary of the effective date. 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 to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS EXECUTIVE OFFICER PERFORMANCE PLAN

As Amended September 17, 2009

The purpose of the Plan is to promote the success of the Company by providing performance-based compensation for executive officers.

For purposes of the Plan, unless otherwise indicated, the term "TI" shall mean Texas Instruments Incorporated, "Company" shall mean TI and its subsidiaries, and "Board" shall mean the Board of Directors of TI.

The Plan is intended to provide qualified performance-based compensation in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended, and regulations thereunder ("Code") and will be so interpreted.

Covered Employees

The executive officers of TI (within the meaning of Rule 3b-7 under the Securities Exchange Act of 1934 as amended from time to time) as of March 30 of each calendar year ("performance year") shall receive awards under the Plan for such performance year. An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall receive an award as provided below.

Administration of Plan

The Plan shall be administered by a Committee of the Board 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 the director is an "outside director" as described in Section 162(m) of the Code. The Committee shall have full power and authority to construe, interpret and administer the Plan. It may issue rules and regulations for administration of the Plan. It shall meet at such times and places as it may determine. A majority of the members of the Committee shall constitute a quorum and all decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the employees.

The Committee shall have the full and exclusive right to make reductions in awards under the Plan. In determining whether to reduce any award and the amount of any reduction, the Committee shall take into consideration such factors as the Committee shall determine.

Expenses of Administration

The expenses of the administration of this Plan, including the interest provided in the Plan, shall be borne by the Company.

Amendments

The Board may, at any time and from time to time, alter, amend, suspend or terminate the Plan or any part thereof as it may deem proper and in the best interests of the Company, provided, however, that no such action shall (i) affect or impair the rights under any award theretofore granted under the Plan, except that in the case of a covered employee employed outside the United States the Committee may vary the provisions of the Plan as it may deem appropriate to conform with local laws, practices and procedures or (ii) increase the maximum amount of any award above the amount described below.

Awards

Subject to the Committee's discretion to reduce such awards, each covered employee shall be entitled to an award for each performance year equal to 0.5% of the Company's consolidated income from continuing operations before (i) provision for income taxes, (ii) awards under the Plan, (iii) any pretax gain or loss exceeding \$25 million recognized for the year related to divestiture of a business and (iv) any write-off of in process research and development expenses exceeding \$25 million associated with an acquisition, as determined and reported to the Committee by TI's independent auditors ("Consolidated Income").

An individual who becomes an executive officer after March 30 and on or before October 1 of a performance year shall be entitled to a prorated award for that performance year which shall be 0.5% of the Company's Consolidated Income, as defined above, for such performance year multiplied by a fraction, the numerator of which is the number of complete calendar quarters of such year following the date on which the individual becomes an executive officer and the denominator of which is 4. Such prorated award shall be subject to the Committee's discretion to reduce awards.

Scope of the Plan

Nothing in this Plan shall be construed as precluding or prohibiting the Company from establishing or maintaining other bonus or compensation arrangements, which may be generally applicable or applicable only to selected employees or officers.

Report of Awards; Committee Discretion to Reduce

As soon as practicable after the end of each performance year, TI's independent auditors shall determine and report to the Committee and the Committee shall certify the amount of each award for that year under the provisions of this Plan.

The Committee, in its sole discretion, based on any factors the Committee deems appropriate, may reduce the award to any covered employee in any year (including reduction to zero if the Committee so determines). The Committee shall make a determination of whether and to what extent to reduce awards under the Plan for each year at such time or times following the close of the performance year as the Committee shall deem appropriate. The reduction in the amount of an award to any covered employee for a performance year shall have no effect on the amount of the award to any other covered employee for such year.

All awards are subject to recoupment by the Company, at its request, in accordance with the recoupment policy adopted by the Committee and in effect at the time of the Committee's determination of the award.

Payment of Awards

Except to the extent deferred pursuant to the terms and provisions of the TI Deferred Compensation Plan or as provided in the next paragraph, awards and any installments thereof shall be paid in a cash lump sum as soon as practicable after the amount of the awards has been determined, but in no event later than March 15 of the year following the performance year.

The Committee may direct the awards to the covered employees or any of them for any year to be paid in a single amount or in installments of equal or varying amounts or may defer payment of any awards and may prescribe such terms and conditions concerning payment of awards as it deems appropriate, including completion of specific periods of employment with the Company, provided that such terms and conditions are not more favorable to a covered employee than those expressly set forth in the Plan. In the event the Committee designates a time or form of payment of any award different from the time and form specified in the preceding paragraph, the Committee's designation shall be in writing and made not later than a time that will meet the requirements of Treas. Reg. Section 1.409A-2(a)(2). The Committee may determine that interest will be payable with respect to any payment of any award. The Committee may at any time amend any such direction or amend or delete any such terms and conditions if the Committee deems it appropriate, provided that any such change will be made in a manner that will meet the requirements for subsequent elections of Treas. Reg. Section 1.409A-2(b) and no such change shall accelerate any payment except as permitted by Section 409A of the Code. The Committee's actions under this paragraph shall be subject to and in accordance with the rules governing qualified performance based compensation in Section 162(m) of the Code.

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

TEXAS INSTRUMENTS 2003 DIRECTOR COMPENSATION PLAN

As Amended January 19, 2012

SECTION 1. PURPOSE.

The Texas Instruments 2003 Director Compensation Plan is designed to attract and retain qualified individuals to serve as directors of the Company and to increase the proprietary and vested interest of such directors in the growth and performance of the Company.

SECTION 2. DEFINITIONS.

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

- (a) “*Account*” means a Cash Account or Stock Unit Account established under Section 8 of the Plan.
- (b) “*Administrator*” means the Board or a committee of directors designated by the Board to administer the Plan.
- (c) “*Award*” means any Option, Restricted Stock Unit or other stock-based award under the Plan.
- (d) “*Award Agreement*” means any written agreement, contract or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Director.
- (e) “*Board*” means the Board of Directors of the Company, as constituted from time to time.
- (f) “*Cash Account*” means the bookkeeping accounts established pursuant to Section 8(b)(i) on behalf of each Director who elects pursuant to Section 8(b) to have any of his or her Deferred Compensation credited to a cash account.
- (g) “*Change in Control*” means an event 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 prior to the time the Acquiring Person became such, or (ii) a majority of the Board 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, 1998 between the Company and Harris Trust and Savings Bank. Notwithstanding the foregoing, if a Restricted Stock Unit granted under this Plan is or becomes subject to Section 409(A) of the Code, then with respect to such Restricted Stock Unit “*Change in Control*” means a change in control event as to the Company, as defined in Section 409(A) of the Code and the regulations thereunder.
- (h) “*Code*” means the Internal Revenue Code of 1986, as amended.
- (i) “*Company*” means Texas Instruments Incorporated, together with any successor thereto.
- (j) “*Deferred Cash Compensation*” means that portion of any Director’s Eligible Compensation that is payable in cash and that he or she elects pursuant to Section 8(a) to be deferred in accordance with this Plan.
- (k) “*Deferred Compensation*” means that portion of any Director’s Eligible Compensation that he or she elects pursuant to Section 8(a) to be deferred in accordance with this Plan.
- (l) “*Director*” means a member of the Board who is not an employee of the Company or any subsidiary thereof.
- (m) “*Eligible Compensation*” means (i) 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, (ii) any Restricted Stock Units granted by the Company after November 30, 2006, to a Director for his or her services as a Director, and (iii) any dividend equivalents paid on Restricted Stock Units pursuant to Section 7(b).

- (n) *“Fair Market Value”* means the closing price of the Shares on the date specified (or, if there is no trading on The NASDAQ Stock Market on such date, then on the first previous date on which there is such trading) as reported by WSJ.com or Bloomberg L.P., or if unavailable, then by reference to any other source as may be deemed appropriate by the Administrator.
- (o) *“G&SR Committee”* means the Governance and Stockholder Relations Committee of the Board or any successor committee.
- (p) *“Option”* means an option granted under Section 6.
- (q) *“Participant”* means an individual who has received an Award or established an Account under the Plan.
- (r) *“Plan”* means this Texas Instruments 2003 Director Compensation Plan.
- (s) *“Post-2004 Account”* means a Cash Account or Stock Unit Account containing amounts earned and deferred on or after January 1, 2005, and Restricted Stock Units granted after November 30, 2006, the receipt of which a Director has elected to defer.
- (t) *“Pre-2005 Account”* means a Cash Account or Stock Unit Account containing amounts earned and deferred prior to January 1, 2005.
- (u) *“Restricted Stock Unit”* means a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive a Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.
- (v) *“Secretary”* means the Secretary of the Company.
- (w) *“Separation from Service”* means a termination of services provided by a Participant as a member of the Board or of the board of directors of any other member of the controlled group of corporations (as defined in Section 414(b) of the Code) which includes the Company (referred to hereinafter for purposes of this Section 2(w) as the Company, and such other controlled group members are referred to as “ERISA Affiliates”), whether such termination is voluntary or involuntary, as determined by the Administrator in accordance with Treas. Reg. §1.409A-1(h). In determining whether a Participant has experienced a Separation from Service as a member of the Board or of a board of directors of an ERISA Affiliate, the following provisions shall apply:
 - (i) If a Director also provides services to the Company or any ERISA Affiliate as an employee at the time of his Separation from Service as a member of the Board, the services such Participant provides as an employee shall not be taken into account in determining whether the Participant has a Separation from Service as a Director for purposes of this Plan (provided that this Plan is not, at the time of such determination, aggregated under Treas. Reg. §1.409A-1(c)(2)(ii) with any plan in which the Participant participates as an employee).
 - (ii) A Participant shall be considered to have experienced a termination of services when the facts and circumstances indicate that the Participant, the Company and each ERISA Affiliate reasonably anticipate that the Participant will perform no further services for the Company or any ERISA Affiliate as a member of the Board (or the board of directors of any ERISA Affiliate), and the Participant’s term as a member of the Board has expired.
 - (iii) If a Director is also providing additional services to the Company as an independent contractor, he or she cannot have a Separation from Service for purposes of Section 409A until he or she has separated from service both as a Director and as an independent contractor.
- (x) *“Shares”* shall mean shares of the common stock of the Company, \$1.00 par value.
- (y) *“Specified Employee”* means any Participant who is determined to be a “key employee” (as defined under Section 416(i) of the Code without regard to paragraph (5) thereof) for the applicable period, as determined annually by the Administrator in accordance with Treas. Reg. §1.409A-1(i). In determining whether a Participant is a Specified Employee, the following provisions shall apply:

- (i) Identification of the individuals who fall within the above-referenced definition of “key employee” shall be based upon the 12-month period ending on each December 31st (referred to below as the “identification date”). In applying the applicable provisions of Code Section 416(i) to identify such individuals, “compensation” shall be determined in accordance with Treas. Reg. §1.415(c)2(a) without regard to (i) any safe harbor provided in Treas. Reg. §1.415(c)-2(d), (ii) any of the special timing rules provided in Treas. Reg. §1.415(c)-2(e), and (iii) any of the special rules provided in Treas. Reg. §1.415(c)-2(g); and
- (ii) Each Participant who is among the individuals identified as a “key employee” in accordance with part (i) of this Section 2(y) shall be treated as a Specified Employee for purposes of this Plan if such Participant experiences a Separation from Service during the 12-month period that begins on the April 1st following the applicable identification date.
- (z) “*Stock Unit Account*” means the bookkeeping accounts established, pursuant to Section 8(b)(ii), on behalf of each Director who elects, pursuant to Section 8(b), to have any of his or her Deferred Cash Compensation credited to a stock unit account.
- (aa) “*Unforeseeable Emergency*” means a severe financial hardship to the Participant resulting from (i) an illness or accident of the Participant or the Participant’s spouse, beneficiary, or dependent (as defined in Section 152 of the Code, without regard to Sections 152(b)(1), (b)(2), and (d)(1)(B) of the Code), (ii) loss of the Participant’s property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant’s control, all as determined by the Administrator based on the relevant facts and circumstances and as provided for in Treas. Reg. §1.409A-3(i)(3) or any successor provision.
- (bb) “*Year*” means a calendar year.

SECTION 3. ELIGIBILITY.

Each Director shall be eligible to defer Eligible Compensation and to receive Awards under the Plan.

SECTION 4. ADMINISTRATION.

This Plan shall be administered by the Administrator. Subject to the terms of the Plan and applicable law, the Administrator shall have full power and authority to: (i) interpret, construe and administer the Plan and any instrument or agreement relating to, or Award granted or Accounts established under, the Plan; (ii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the Plan; and (iii) make any other determination and take any other action that it deems necessary or desirable for the administration of this Plan. All decisions of the Administrator shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Directors.

SECTION 5. SHARES SUBJECT TO THE PLAN.

- (a) Subject to adjustment as provided below, the number of Shares available for issuance under the Plan shall be 2,000,000 Shares.
- (b) If, after the effective date of the Plan, any Shares covered by an Award or Stock Unit Account, or to which such an Award relates, are forfeited, or if such an Award or Account otherwise terminates without the delivery of Shares, then such Shares, to the extent of any such forfeiture or termination, shall again be, or shall become, available for issuance under the Plan.
- (c) In the event that any Award granted hereunder is exercised through the delivery of Shares, or in the event that withholding tax liabilities arising from such Award are satisfied by the withholding of Shares by the Company, the number of Shares available for Awards under the Plan shall be increased by the number of Shares so surrendered or withheld.
- (d) Any Shares delivered pursuant to an Award or Stock Unit Account may consist, in whole or in part, of authorized and unissued Shares or of treasury Shares.
- (e) In the event 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 appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Administrator shall equitably adjust any or all of (i) the number of outstanding Restricted Stock Units, (ii) the number and type of Shares credited to Stock Unit Accounts, (iii) the number and type of Shares subject to Options, (iv) 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, and (v) the aggregate limit specified in Section 5(a); provided, however, that no fractional Restricted Stock Units or Shares shall be issued or outstanding hereunder. Any such adjustment with respect to a "stock right" outstanding under the Plan, as defined in Section 409A of the Code, will be made in a manner that is intended to avoid imposition of any additional tax and penalty under Section 409A.

SECTION 6. OPTIONS.

After the effective date of this Plan, each Director will be granted annually an Option to purchase 7,000 Shares. The Options granted will be nonstatutory stock options not intended to qualify under Section 422 of the Code and shall have the following terms and conditions:

- (a) *Price and Term of Options.* 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. In each Year, the effective date for the annual grant of options to the Company's executive officers by the Compensation Committee of the Board (or any successor committee) shall be the date Options are granted; provided that in any Year in which the Compensation Committee does not grant options in connection with the annual compensation review process, then the effective date of the first options granted by the Compensation Committee in such Year shall be the date Options are granted. Each Option shall have a term not to exceed ten years from the date of grant.
- (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.* Subject to Sections 6(d) and 6(e), Options shall become exercisable in four equal annual installments commencing on the first anniversary date of the grant.
- (d) *Change in Control.* In the event of a Change in Control, the provisions of Sections 6(c) and 6(e) shall not apply (except for Section 6(e)(iv)(B), which shall apply) and Options outstanding under the Plan shall be immediately exercisable in full and continue to full term.
- (e) *Termination of Service as a Director.* Except under the circumstances described in Section 6(d), the effect of a Participant's termination of service as a member of the Board 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 6(c), and shall be exercisable by such Participant's heirs or legal representatives.
 - (iii) Permanent disability, termination after 8 years of service, termination by reason of ineligibility to stand for reelection under the Company's By-Laws: All outstanding Options held by the Participant shall continue to full term, becoming exercisable in accordance with Section 6(c).
 - (iv) 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, then the Change in Control will be deemed to have occurred first and the Options outstanding shall be immediately exercisable in full by the Participant as of the date of the Change in Control and continue to full term.

(f) *Option Agreement.* Each Option granted hereunder shall be evidenced by an Award 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 7. RESTRICTED STOCK UNITS.

(a) *Grants of Restricted Stock Units.*

- (i) Following the effective date of this Plan, each Director shall, effective as of the date of such individual's initial election or appointment to the Board, be granted 2,000 Restricted Stock Units.
- (ii) Effective November 30, 2006, each Director shall also be granted annually 2,500 Restricted Stock Units. In each Year, the effective date for the annual grant of restricted stock units to the Company's executive officers by the Compensation Committee of the Board (or any successor committee) shall be the date Restricted Stock Units are granted; provided that in any Year in which the Compensation Committee does not grant restricted stock units in connection with the annual compensation review process, then the effective date of the first restricted stock units granted by the Compensation Committee in such Year shall be the date Restricted Stock Units are granted.
- (iii) Each Restricted Stock Unit granted pursuant to this Section 7(a) shall be paid or settled by the issuance of one Share.
- (iv) *Vesting and Settlement.*
 - (A) Restricted Stock Units granted prior to November 30, 2006:
 - (1) *Vesting.* Restricted Stock Units granted prior to November 30, 2006, shall vest upon the earliest to occur of (I) the member of the Board reaching the age at which he or she is ineligible under the Company's By-Laws to stand for reelection to the Board, (II) completion of eight years of service as the member of the Board, (III) the death or disability of the member of the Board, and (IV) a Change in Control as defined in Section 2(g). In the event the recipient of a Restricted Stock Unit terminates Board service prior to the events described in (I) or (II) of this Section 7(a)(iv)(A)(1), for reasons other than death or disability, the recipient's Restricted Stock Units shall terminate and all of the rights, title and interest of the recipient thereunder shall be forfeited in their entirety.
 - (2) *Settlement.*
 - (I) Each Restricted Stock Unit granted prior to November 30, 2006, that vests prior to January 1, 2005, shall be paid or settled upon the termination of the recipient's service as a member of the Board.
 - (II) Each Restricted Stock Unit granted prior to November 30, 2006, that vests on or after January 1, 2005, shall be paid or settled upon the recipient's Separation from Service as a member of the Board; provided, however, that no such payment or settlement may be made to a Specified Employee before the date that is six months after the date of Separation from Service or, if earlier, the date of death.
 - (B) Restricted Stock Units granted on or after November 30, 2006:
 - (1) *Vesting and Settlement.* Subject to Section 7(a)(iv)(B)(2) and subject to a Director's election to defer the settlement of Restricted Stock Units pursuant to Section 8, the shares covered by the Restricted Stock Units shall be paid or settled as soon as practicable after the fourth anniversary of the date of grant.

- (2) Change in Control. In the event of a Change in Control, the provisions of Section 7(a)(iv)(B)(1) and (3) (except (3)(IV)) shall not apply, any election by a Director to defer settlement of such Restricted Stock Units pursuant to Section 8 shall be cancelled and any such Restricted Stock Units outstanding under this Plan shall vest and be paid immediately.
- (3) Termination of Service as a Director. The effect of a Participant's termination of service as a member of the Board shall be as follows:
 - (I) *Death.* All outstanding Restricted Stock Units held by the Participant shall continue to full term subject to the other terms and conditions of this Plan, and shares shall be issued to such Participant's heirs at such times and in such manner as if the Participant were still a member of the Board.
 - (II) *Permanent disability, termination after 8 years of service, termination by reason of ineligibility to stand for reelection under the Company's By-Laws.* All outstanding Restricted Stock Units held by the Participant shall continue to full term subject to the other terms and conditions of this Plan, and shares shall be issued to such Participant at such times and in such manner as if the Participant were still a member of the Board.
 - (III) *Other.* For any termination other than those specified above, all outstanding Restricted Stock Units held by the Participant shall terminate and become void without any shares being issued, except as provided in Section 7(a)(iv)(B)(2).
 - (IV) If a Participant's termination of service (other than for cause) occurs within 30 days of a Change in Control, then the Change in Control shall be deemed to have occurred first and the provisions of Section 7(a)(iv)(B)(2) shall apply.
- (C) Restricted Stock Unit Agreement. Each Restricted Stock Unit granted under this Section 7(a) shall be evidenced by an Award Agreement with the Company, which shall contain the terms and conditions set forth herein and shall otherwise be consistent with the provisions of this Plan.

- (b) *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, unless a Director has elected to defer receipt of such dividend equivalents pursuant to Section 8, pay such accumulated amounts without interest in December of each fiscal year, but no later than March 15 of the calendar year following the calendar year in which the related dividend is declared.
- (c) *Issuance of Shares.* A stock certificate or certificates shall be registered and issued or other indicia of ownership of shares shall be issued, in the name or for the benefit 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.

SECTION 8. DEFERRED COMPENSATION.

- (a) *Deferral Election.* Each Director may elect, with respect to any Year, that all or any percentage of his or her Eligible Compensation be deferred in accordance with the terms of this Plan.
- (b) *Cash Compensation Investment Alternatives.* Each Director may elect that his or her Deferred Cash Compensation for any Year be credited to a Cash Account or a Stock Unit Account or to any combination thereof.
 - (i) *Cash Accounts.*
 - (A) The Company shall establish and maintain, as appropriate, separate unfunded Cash Accounts for each Director who has elected that any portion of his or her Deferred Cash Compensation be credited to a Cash Account. Amounts earned and deferred prior to January 1, 2005, which a Director has elected to have credited to a Cash Account, and interest earned thereon, shall be kept by the Company in a separate account ("Pre-2005 Cash Account"). Amounts earned and deferred on or after January 1, 2005, which a

Director has elected to have credited to a Cash Account, and interest earned thereon, shall be kept by the Company in a separate account ("Post-2004 Cash Account").

- (B) As of the date on which any amount of a Director's Deferred Cash Compensation becomes payable, his or her Cash Account shall be credited with an amount equal to that portion of such Deferred Cash 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 that would qualify as a "reasonable rate of interest" as defined by Section 409A of the Code, as may be determined by the G&SR Committee for each Year.

(ii) *Stock Unit Accounts.*

- (A) The Company shall establish and maintain, as appropriate, separate unfunded Stock Unit Accounts for each Director who has elected that any portion of his or her Deferred Cash Compensation be credited to a Stock Unit Account. Amounts earned and deferred prior to January 1, 2005, that a Director has elected to have credited to a Stock Unit Account and dividend equivalents attributable to those amounts shall be kept by the Company in a separate account ("Pre-2005 Stock Unit Account"). Amounts earned and deferred on or after January 1, 2005, that a Director has elected to have credited to a Stock Unit Account and dividend equivalents attributable to those stock units shall be kept by the Company in a separate account ("Post-2004 Stock Unit Account"). Amounts shall be credited to such Stock Unit Account as follows:

- (1) As of each date on which any amount of a Director's Deferred Cash 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 as could be purchased at the Fair Market Value on the first trading day preceding such date with the portion of such Deferred Cash Compensation as such Director has elected be credited to his or her Stock Unit Account.
- (2) As of the payment date for each dividend on Shares 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 as could be purchased at the Fair Market Value on the first trading day preceding 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 Stock Unit Account immediately prior to the record date for such dividend.

- (c) *Restricted Stock Units.* Each Director may elect to defer all or a portion of any Restricted Stock Unit granted after November 30, 2006.
- (d) *Dividend Equivalents.* Each Director may elect to defer all or a portion of any dividend equivalents paid on Restricted Stock Units granted under the Plan.
- (e) *Time of Election.* An election to defer all or any portion of Eligible Compensation for any Year shall be made in writing in the form ("Election Form") prescribed by the Secretary. The Election Form shall contain the Participant's elections as to the time of distribution of any compensation so deferred.
 - (i) A Participant may elect that his or her Pre-2005 Account be distributed at the time or times indicated below:
 - (A) Entire balance to be distributed immediately after termination of service for any reason other than death;
 - (B) Entire balance to be distributed a number of months, as specified by the Participant on the Election Form, after termination of service for any reason other than death, but not later than ten years following such termination of service.

- (C) Approximately equal monthly installments for a number of months, as specified by the Participant on the Election Form, commencing the month after termination of service for any reason other than death, provided that distribution shall be completed not later than ten years following such termination of service.
 - (D) A percentage of the entire balance to be paid on certain dates, with such percentages and dates specified by the Participant on the Election Form, provided that distribution shall commence no earlier than termination of service for any reason other than death, and shall be completed not later than ten years following such termination of service.
- (ii) A Participant may elect that his or her Post-2004 Account be distributed at the time or times indicated below:
- (A) Entire balance to be distributed immediately after Separation from Service for any reason other than death;
 - (B) Entire balance to be distributed a number of months, as specified by the Participant on the Election Form, after Separation from Service for any reason other than death, but not later than ten years following such Separation from Service.
 - (C) Approximately equal monthly installments for a number of months, as specified by the Participant on the Election Form, commencing the month after Separation from Service for any reason other than death, provided that distribution shall be completed not later than ten years following such Separation from Service.
 - (D) A percentage of the entire balance to be paid on certain dates, with such percentages and dates specified by the Participant on the Election Form, provided that distribution shall commence no earlier than Separation from Service for any reason other than death, and shall be completed not later than ten years following such Separation from Service.
- (iii) A Participant may revoke an election as to the time of distribution and substitute a new election therefore by submitting an Election Form to the Secretary in accordance with the following criteria:
- (A) With respect to his or her Pre-2005 Account, any new election must be made at least 12 months prior to the date of distribution that would otherwise have been applicable; and
 - (B) With respect to his or her Post-2004 Account: (I) any new election regarding the time of distribution must result in a minimum of five (5) years' lapse between the currently applicable date and the new date of distribution (as determined in accordance with the Regulations under Section 409A of the Code); and (II) the election must be made at least twelve (12) months prior to the date of distribution that would otherwise have been applicable.
- (iv) Except as hereinafter provided, to be effective, an Election Form relating to payments in a Year or Restricted Stock Units that may be granted in such Year must 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 initial Election Form must be received not more than 30 days following his or her election to the Board and, if received within such 30-day period, the Election Form shall be effective only for Eligible Compensation earned after the election becomes irrevocable pursuant to Section 8(f). The time of election and the time of distribution shall comply in all respects with the applicable requirements of Section 409A of the Code.
- (f) *Irrevocability of Election.* A Director's election to defer all or any portion of his or her Eligible Compensation for any Year and a revocation and substitution of an election regarding the time of distribution shall be irrevocable upon receipt by the Secretary of a completed Election Form from the Director.
- (g) *Form of Distributions.* (i) Distributions of amounts credited to each Participant's Cash Account shall be made in cash. (ii) Distributions of units credited to each Participant's Stock Unit Account shall be made by issuing to such Participant an equivalent number of Shares; 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. (iii) Distribution of Shares relating to vested Restricted Stock Units the Participant has elected to defer shall be made by issuing to such Participant the whole number of

Shares attributable to such vested Restricted Stock Units; 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.

(h) *Time of Distributions.*

- (i) *Normal Distributions.* Except as otherwise hereinafter provided, distributions of Deferred Compensation in a Participant's Pre-2005 Account 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 Participant has elected on his or her Election Form in accordance with the terms of this Plan. Except as otherwise hereinafter provided, distributions of Deferred Compensation in a Participant's Post-2004 Account shall be made (Y) on the first day of the month following such Participant's Separation from Service on the Board for any reason other than death, or (Z) at such later time as the Participant has elected on his or her Election Form in accordance with the terms of this Plan.

Notwithstanding the foregoing, no distribution from a Post-2004 Account may be made to a Specified Employee before the date that is six months after the date of Separation from Service or, if earlier, the date of death.

(ii) *Early Distributions.* An earlier distribution may be made:

- (A) For amounts in a Pre-2005 Account, at the discretion of the Administrator, upon a finding that a Participant is suffering a significant financial hardship caused by a recent event or events not within such Participant'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 Administrator;
- (B) For amounts in a Post-2004 Account, upon a finding that the Participant is suffering from an Unforeseeable Emergency, a withdrawal on account of Unforeseeable Emergency may not be made to the extent that such emergency is or may be relieved (1) through reimbursement or compensation from insurance or otherwise, (2) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not cause severe financial hardship, or (3) by cessation of deferrals under the Plan.

Withdrawal because of an Unforeseeable Emergency must be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), as determined by the Administrator, in its sole discretion. The Participant must apply in writing for a payment upon an "Unforeseeable Emergency," using the form prescribed by the Administrator. The Administrator retains the sole and absolute discretion to grant or deny a payment upon an Unforeseeable Emergency. In the event of approval of a payment upon an Unforeseeable Emergency, the Participant's outstanding deferral elections under the Plan shall be cancelled.

- (i) *Death of Participant.* Notwithstanding the foregoing, in the event of the death of a Participant prior to receipt by such Participant of the full amount of cash and number of shares to be distributed from the Pre-2005 Account or Post-2004 Account, all such cash and/or shares will be distributed to the beneficiary or beneficiaries designated by the Participant, or if no beneficiary has been designated, to the Participant's estate as soon as practicable following the month in which the death occurred. Shares to be distributed to the Participant in connection with deferred Restricted Stock Units shall also be distributed as described in the preceding sentence but in no event earlier than the fourth anniversary of the date of grant.
- (j) *Certain Rights Reserved by the Company.* In the event that, pursuant to Section 10, the Company suspends, modifies or terminates this Plan, the Company shall have the right to distribute to each Participant all amounts in such Participant's Cash Account or Shares equivalent to units in such Participant's Stock Unit Account, including, in the case of Stock Unit Accounts, the right to distribute cash equivalent to the units in such Accounts and all Shares attributable to vested Restricted Stock Units that a Participant has elected to defer, provided that any such suspension, modification or termination may be effected without penalty under Section 409A of the Code.
- (k) *Certain Affiliations.* (i) In the event that any Participant terminates his or her membership on the Board and becomes affiliated with a government agency or with any private company or firm that the G&SR Committee believes to be in competition with the Company, the Board may, at its discretion, require a distribution of all amounts in any

Participant's Pre-2005 Cash Account or shares equivalent to units in such Participant's Pre-2005 Stock Unit Account. (ii) In the event that any Participant terminates his or her membership on the Board and becomes affiliated with a government agency, all amounts in any Participant's Post-2004 Cash Account, shares equivalent to units in such Participant's Post-2004 Stock Unit Account and Shares attributable to Restricted Stock Units that vested on or after January 1, 2005, that such Participant has elected to defer will be distributed to the Participant if such payment is necessary to avoid violation of any applicable Federal, state, local or foreign ethics or conflict of interest law or if necessary to comply with an ethics agreement with the federal government.

SECTION 9. OTHER STOCK-BASED AWARDS.

The Administrator is hereby authorized to grant to Directors such other Awards (including, without limitation, stock appreciation rights and rights to dividends and dividend equivalents) 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 Administrator to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Administrator shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 9 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 Administrator shall determine, the value of which consideration, as established by the Administrator, shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted. The Company intends that such other Awards granted pursuant to this Section shall comply with Section 409A of the Code if applicable.

SECTION 10. AMENDMENT AND TERMINATION.

Except to the extent prohibited by or inconsistent with applicable law:

- (a) *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue or terminate the Plan, including, without limitation, the number of shares subject to Awards granted pursuant to Sections 6 and 7, without the consent of any stockholder, Participant, other holder or beneficiary of any Award, or other person; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to qualify for or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply or (ii) the consent of the affected Participant, if such action would adversely affect the rights of such Participant under any outstanding Award; and *provided further*, that no such amendment or alteration shall increase the aggregate number of shares that may be issued under the Plan except as provided in Section 5(e). In addition, any such amendment shall be in compliance with Section 409A of the Code. However, the Company makes no representations or covenants that Awards will comply with Section 409A. Notwithstanding any other provision of the Plan or any Award Agreement, no such amendment, alteration, suspension, discontinuation or termination shall be made that would (1) 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 or (2) except as provided in Section 5(e), (x) reduce the exercise price of any Option established at the time of grant thereof, (y) be treated as a repricing under U.S. generally accepted accounting principles ("GAAP") or (z) cancel an Option at a time when its exercise price is equal to or greater than the Fair Market Value of a Share, in exchange for another Option, restricted stock unit or other equity, unless such cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction. A cancellation and exchange described in clause (z) of the immediately preceding sentence is prohibited regardless of whether the option, restricted stock unit or other equity is delivered simultaneously with the cancellation and regardless of whether the cancellation and exchange is treated as a repricing under GAAP or is voluntary on the part of the Participant.
- (b) *Correction of Defects, Omissions and Inconsistencies.* The Administrator 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.

SECTION 11. GENERAL PROVISIONS.

- (a) *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 issuable under the Plan in connection with any Award or Account, in whole or in part, unless and until certificates or other indicia of ownership of such shares shall have been issued.

- (b) *Limits of Transfer of Awards.* No Award 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. During the Participant's lifetime, rights under an Award shall be exercisable only by the Participant, or if permissible under applicable law, by the Participant's guardian or legal representative.
- (c) *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.
- (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 Award Agreement is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person, Award or Account, or would disqualify the Plan or any Award under any law deemed applicable by the Administrator, 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 Administrator, 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.
- (f) *No Trust or Fund Created.* Neither the Plan nor any Award or Account 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 an Award or Account, or Shares pursuant to an Award or Account, 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) *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 the Company, available for the Company's use, and subject to the claims of general creditors of the Company. The rights of any Participant 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 Participant or beneficiary.
- (h) *Withholding.* The Company shall be authorized to withhold from any Awards granted or any transfer made under any Award 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, exercise, payment or settlement of an Award or any payment of dividend equivalents under 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.
- (i) *No Right to Continued Board Membership.* The grant of an Award or establishment of an Account 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 Award or Account.
- (j) *409A Compliance.* The Company makes no representations or covenants that any Award granted or Deferred Compensation arrangement maintained under the Plan will comply with Section 409A.

SECTION 12. EFFECTIVE DATE OF PLAN.

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

SECTION 13. TERM OF THE PLAN.

No Award shall be granted or compensation deferred under the Plan after the seventh anniversary of the Effective Date of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted or Account established prior to the termination of the Plan may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award or Account, or to waive any conditions or rights thereunder, and the authority of the Board to amend the Plan, shall extend beyond such date.

TEXAS INSTRUMENTS 2009 LONG-TERM INCENTIVE PLAN

As amended January 19, 2012

SECTION 1. Purpose.

The Texas Instruments 2009 Long-Term Incentive Plan is intended as a successor plan to the Company's 2000 Long-Term Incentive Plan, 2003 Long-Term Incentive Plan and the predecessors thereto. This 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.

SECTION 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth in this Section 2. Any definition of a performance measure used in connection with an Award described by Section 11(f) shall have the meaning commonly ascribed to such term by generally acceptable accounting principles as practiced in the United States.

- (a) **"Affiliate"** shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.
- (b) **"Award"** shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.
- (c) **"Award Agreement"** shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant. An Award Agreement may be in electronic form.
- (d) **"Board"** shall mean the board of directors of the Company.
- (e) **"Cash Flow"** for a period shall mean net cash provided by operating activities.
- (f) **"Change in Control"** shall mean an event that will be deemed to have occurred:
 - (i) On the date any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding stock under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, acquires ownership of stock of the Company that, together with stock held by such Person, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. However, if any Person is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person is not considered to be a Change in Control;

- (ii) On the date a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; or
- (iii) On the date any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 80 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. However, there is no Change in Control when there is such a sale or transfer to (i) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's then outstanding stock; (ii) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns, directly or indirectly, at least 50 percent of the total value or voting power of the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, at least 50 percent of the total value or voting power of the outstanding stock of the Company.
- (iv) For purposes of (i), (ii) and (iii) of this Section 2(f),
 - (A) "Affiliate" shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended;
 - (B) "Person" shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code; and
 - (C) "Subsidiary" means any entity whose assets and net income are included in the consolidated financial statements of the Company audited by the Company's independent auditors and reported to stockholders in the annual report to stockholders.
- (v) Notwithstanding the foregoing, in no case will an event in (i), (ii) or (iii) of this Section 2(f) be treated as a Change in Control unless such event also constitutes a "change in control event" with respect to the Company within the meaning of Treas. Reg. § 1.409A-3(i)(5) or any successor provision.
- (g) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (h) "**Committee**" shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under the Plan.
- (i) "**Company**" shall mean Texas Instruments Incorporated, together with any successor thereto.

- (j) **“Cycle Time”** shall mean the actual time a specific process relating to a product or service of the Company takes to accomplish.
- (k) **“Earnings Before Income Taxes”** shall mean income from continuing operations plus provision for income taxes.
- (l) **“Earnings Before Income Taxes, Depreciation and Amortization”** or **“EBITDA”** shall mean income from continuing operations plus 1) provision for income taxes, 2) depreciation expense and 3) amortization expense.
- (m) **“Earnings Per Share”** for a period shall mean diluted earnings per common share from continuing operations before extraordinary items.
- (n) **“Executive Group”** shall mean every person who is expected by the Committee to be both (i) a “covered employee” as defined in Section 162(m) of the Code as of the end of the taxable year in which an amount related to or arising in connection with the Award may be deducted by the Company, and (ii) the recipient of taxable compensation of more than \$1,000,000 for that taxable year.
- (o) **“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.
- (p) **“Free Cash Flow”** for a period shall mean net cash provided by operating activities of continuing operations less additions to property, plant and equipment.
- (q) **“Gross Profit”** for a period shall mean net revenue less cost of revenue.
- (r) **“Gross Profit Margin”** for a period shall mean Gross Profit divided by net revenue.
- (s) **“Incentive Stock Option”** shall mean an option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.
- (t) **“Involuntary Termination”** shall mean a Termination of Employment, other than for cause, due to the independent exercise of unilateral authority of TI to terminate the Participant’s services, other than due to the Participant’s implicit or explicit request, where the Participant was willing and able to continue to perform services, in accordance with Treas. Reg. § 1.409A-1(n)(1) or any successor provision.
- (u) **“Manufacturing Process Yield”** shall mean the good units produced as a percent of the total units processed.
- (v) **“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 or more of its business units, product lines or products during a time period.
- (w) **“Net Revenue Per Employee”** in a period shall mean net revenue divided by the average number of employees, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

- (x) **“Non-Qualified Stock Option”** shall mean an option granted under Section 6 that is not intended to be an Incentive Stock Option.
- (y) **“Option”** shall mean an Incentive Stock Option or a Non-Qualified Stock Option.
- (z) **“Other Stock-Based Award”** shall mean any right granted under Section 10.
- (aa) **“Participant”** shall mean an individual granted an Award under the Plan.
- (bb) **“Performance Unit”** shall mean any right granted under Section 8.
- (cc) **“Plan”** shall mean this Texas Instruments 2009 Long-Term Incentive Plan.
- (dd) **“Operating Profit”** shall mean revenue less (i) cost of revenue, (ii) research and development expense and (iii) selling, general and administrative expense.
- (ee) **“Restricted Stock”** shall mean any Share granted under Section 7.
- (ff) **“Restricted Stock Unit”** shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) on the terms and conditions set forth in the Plan and the applicable Award Agreement.
- (gg) **“Return on Assets”** for a period shall mean net income divided by average total assets, with average defined as the sum of the amount of assets at the beginning and ending of the period divided by two.
- (hh) **“Return on Capital”** for a period shall mean net income divided by stockholders’ equity.
- (ii) **“Return on Common Equity”** for a period shall mean net income divided by total stockholders’ equity, less amounts, if any, attributable to preferred stock.
- (jj) **“Return on Invested Capital”** for a period shall mean net income divided by the sum of stockholders’ equity and long-term debt.
- (kk) **“Return on Net Assets”** for a period shall mean net income 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.
- (ll) **“Revenue Growth”** shall mean the percentage change in revenue from one period to another.
- (mm) **“Shares”** shall mean shares of the common stock of the Company, \$1.00 par value.
- (nn) **“Specified Employee”** shall mean an employee who is a “specified employee” (as defined in Section 409A(2)(b)(i) of the Code) for the applicable period, as determined by the Committee in accordance with Treas. Reg. § 1.409A-1(i) or any successor provision.

(oo) **“Stock Appreciation Right”** or **“SAR”** shall mean any right granted pursuant to Section 9 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or any date or dates during a specified period before the date of exercise over (ii) the grant price of the right, which grant price, except in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on the date of grant of the right.

(pp) **“Substitute Awards”** shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

(qq) **“Termination of Employment”** shall mean the date on which the Participant has incurred a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision.

(rr) **“TI”** shall mean and include the Company and its Affiliates.

(ss) **“Total Stockholder Return”** shall mean the sum of the appreciation in stock price and dividends paid on common stock over a given period of time.

SECTION 3. Eligibility.

(a) Any individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor, including any officer or employee-director, shall be eligible to be selected to receive an Award under the Plan.

(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of commencement of employment.

(c) Directors who are not full-time or part-time officers or employees are not eligible to receive Awards hereunder.

(d) Holders of options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder.

SECTION 4. Administration.

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board. A director may serve as a member or alternate member of the Committee only during periods in which the director is (i) independent within the meaning of the rules of The NASDAQ Stock Market and the Company’s director independence standards and (ii) an “outside director” as described in Section 162(m) of the Code.

(b) 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 (including Substitute 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, consistent with Section 11(g), 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, including adopting sub-plans and addenda for Participants outside the United States to achieve favorable tax results or facilitate compliance with applicable laws; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided in this Section 5, the number of Shares available for issuance under the Plan shall be 75,000,000 shares. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(e), no Participant may receive Options and SARs under the Plan in any calendar year that relate to more than 4,000,000 Shares.

(b) If, after the effective date of the Plan, (i) any Shares covered by an Award, or to which such an Award relates, are forfeited or (ii) any Award expires or is cancelled or otherwise terminated, then the number of Shares available for issuance under the Plan shall increase, to the extent of any such forfeiture, expiration, cancellation or termination. For purposes of this Section 5(b), awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards. For the avoidance of doubt, the number of Shares available for issuance under the Plan shall not be increased by: (i) the withholding of Shares as a result of the net settlement of an outstanding Option or SAR; (ii) the delivery of Shares to pay the exercise price or withholding taxes relating to an Award; or (iii) the repurchase of Shares on the open market using the proceeds of an Option's exercise.

(c) Any Shares underlying Substitute Awards shall not be counted against the Shares available for granting Awards.

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

(e) In the event 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 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 equitably 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, including the aggregate and individual limits specified in Section 5(a), (ii) the number and type of Shares (or other securities, cash 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*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a “stock right” outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6. Options.

- (a) The Committee is hereby authorized to grant Options to Participants with the terms and conditions described in this Section 6 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.
- (b) The purchase price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.
- (c) The term of each Option shall be fixed by the Committee but shall not exceed 10 years; *provided, however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant’s death to achieve favorable tax results or comply with local law.
- (d) 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.
- (e) 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, but the Company makes no representation that any options will qualify, or continue to qualify as an Incentive Stock Option and makes no covenant to maintain Incentive Stock Option status.

SECTION 7. Restricted Stock and Restricted Stock Units.

- (a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the terms and conditions described in this Section 7 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.
- (b) 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.

(c) Any share of 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.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (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.

SECTION 8. *Performance Units.*

(a) The Committee is hereby authorized to grant Performance Units to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) 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.

SECTION 9. *Stock Appreciation Rights (SARs).*

(a) The Committee is hereby authorized to grant SARs to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) The term of each SAR shall be fixed by the Committee but shall not exceed 10 years; *provided, however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant's death.

SECTION 10. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to Participants such other Awards 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 Section 10 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 Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 11. *General Provisions Applicable to Awards.*

- (a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
- (b) 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.
- (c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or settlement 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 Section 11(g) and 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, with respect only to Awards other than Options and SARs, the grant or crediting of dividend equivalents in respect of installment or deferred payments.
- (d) Unless the Committee shall otherwise determine, (i) no Award, 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; *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; (ii) 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; and (iii) no Award, 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. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.
- (e) 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, state or foreign 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.

(f) Every Award (other than an Option or SAR) to a member of the Executive Group that the Committee intends to constitute “qualified performance-based compensation” for purposes of Section 162(m) of the Code 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, on an absolute basis or relative to other companies, as determined by the Committee, of one or more of the following performance measures: (i) Cash Flow, (ii) Cycle Time, (iii) Earnings Before Income Taxes, (iv) Earnings Per Share, (v) EBITDA, (vi) Free Cash Flow, (vii) Gross Profit, (viii) Gross Profit Margin, (ix) Manufacturing Process Yield, (x) Market Share, (xi) net income, (xii) Net Revenue Per Employee, (xiii) Operating Profit, (xiv) Return on Assets, (xv) Return on Capital, (xvi) Return on Common Equity, (xvii) Return on Invested Capital, (xviii) Return on Net Assets, (xix) Revenue Growth or (xx) Total Stockholder Return. For any Award subject to any such pre-established formula, no more than \$5,000,000 can be paid in satisfaction of such Award to any Participant, *provided, however*, that if the performance formula relating to such Award is expressed in Shares, the maximum limit shall be 4,000,000 Shares in lieu of such dollar limit.

(g) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, SAR, or Restricted Stock is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee expressly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and the election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representation or covenant that any Award granted under the Plan will comply with Section 409A.

(h) The Committee shall not have the authority to provide in any Award granted hereunder for the automatic award of an Option upon the exercise or settlement of such Award.

(i) This Section 11(i) applies with respect to Awards granted on or after January 1, 2010. If a Participant experiences an Involuntary Termination within 24 months after a Change in Control, then unless specifically provided to the contrary in any Award Agreement or the Committee otherwise determines under authority granted elsewhere in the Plan,

(1) Awards held by the Participant shall become fully vested and exercisable, and any restrictions applicable to the Awards shall lapse, upon the effective date of such termination;

(2) to the extent permitted without additional tax or penalty by Section 409A of the Code, the shares underlying Restricted Stock Units, Performance Units or other Stock-Based Awards held by the Participant will be issued on, or as soon as practicable (but no later than 60 days) after, the Participant’s Involuntary Termination, provided, however, that if the Participant is a Specified Employee upon such termination, the shares will be issued on, or as soon as practicable (but no more than 10 days) after, the first day of the seventh month following such Involuntary Termination; and

(3) to the extent that the issuance of shares as specified in (2) above is not permitted without additional tax or penalty by Section 409A, the Award will continue to full term and the shares will be issued at the issuance date specified in the Award Agreement as if the Participant were still an employee of TI on such date.

SECTION 12. *Amendment and Termination.*

(a) Unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with the listing requirements of The NASDAQ Stock Market or (ii) the consent of the affected Participants, if such action would adversely affect the rights of such Participants under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, 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, however*, that (i) no such action shall impair the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan; (ii) except as provided in Section 5(e), no such action shall reduce the exercise price of any Option or SAR established at the time of grant thereof; and (iii) except in connection with a corporate transaction involving the Company (including an event described in Section 5(e)), an Option or SAR may not be terminated in exchange for (x) a cash amount greater than the excess, if any, of the Fair Market Value of the underlying Shares on the date of cancellation over the exercise price times the number of Shares outstanding under the Award (the "Award Value"), (y) another Option or SAR with an exercise price that is less than the exercise price of the cancelled Option or SAR, or (z) any other type of Award. For avoidance of doubt, in connection with a corporate transaction involving the Company (including an event described in Section 5(e)), any Award may be terminated in exchange for a cash payment, and such payment is not required to exceed the Award Value. Notwithstanding the foregoing, the Committee may terminate Awards granted in any jurisdiction outside the United States prior to their expiration date for consideration determined by the Committee when, in the Committee's judgment, the administrative burden of continuing Awards in such locality outweighs the benefit to the Company. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Committee also may modify any outstanding Awards to comply with Section 409A without consent from Participants. The Company makes no representation or covenant that any action taken pursuant to this Section 12(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition 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. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. However, the Company makes no representation or covenants that Awards will comply with Section 409A.

(d) 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.

SECTION 13. *Miscellaneous.*

(a) No employee, independent contractor, 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, independent contractors, Participants, or holders or beneficiaries of Awards, either collectively or individually, under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to another committee of the Board, 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, however*, that any such delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) 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 or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes (including income tax, social insurance contributions, payment on account and other taxes) due in respect of an Award, its exercise, or any payment or transfer of Shares, cash or property 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 of the Company for the payment of such taxes.

(d) 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) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) 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.

(g) 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.

(h) 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.

SECTION 14. *Effective Date of the Plan.*

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

SECTION 15. *Term of the Plan.*

No Award shall be granted under the Plan after the tenth anniversary of the effective date. 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 and the Board under Section 12 to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and to amend the Plan, shall extend beyond such date.

SECTION 16. *Governing Law.*

The Plan shall be construed in accordance with and governed by the laws of the State of Texas without giving effect to the principles of conflict of laws thereof.

Texas Instruments Incorporated and Subsidiaries
Computation of Ratio of Earnings to Fixed Charges
(Millions of dollars)

	For Years Ended December 31,				
	2014	2013	2012	2011	2010
Earnings:					
Income before income tax	\$ 3,874	\$ 2,754	\$ 1,935	\$ 2,955	\$ 4,551
Equity method investments (gains) and losses	(3)	(6)	(17)	(5)	(1)
Add:					
Fixed charges (from below)	107	105	99	54	15
Amortization of capitalized interest	2	2	2	3	4
Distributed income from equity investees	1	11	16	11	1
Total earnings	<u>\$ 3,981</u>	<u>\$ 2,866</u>	<u>\$ 2,035</u>	<u>\$ 3,018</u>	<u>\$ 4,570</u>
Fixed Charges:					
Total gross interest on debt (expensed) (a)	\$ 103	\$ 104	\$ 104	\$ 48	\$ —
Amortization of debt premium and debt issuance costs	(9)	(9)	(18)	(6)	—
Estimated interest element of rental and lease expense	13	10	13	12	15
Total fixed charges	<u>\$ 107</u>	<u>\$ 105</u>	<u>\$ 99</u>	<u>\$ 54</u>	<u>\$ 15</u>
Ratio of earnings to fixed charges	<u>37.2</u>	<u>27.3</u>	<u>20.6</u>	<u>55.9</u>	<u>304.8</u>

(a) Capitalized interest was immaterial for 2014, 2013, 2012 and 2011.

TEXAS INSTRUMENTS INCORPORATED AND SUBSIDIARIES
LIST OF SUBSIDIARIES OF THE REGISTRANT

The following are subsidiaries of the Registrant as of December 31, 2014.

<u>Subsidiary and Name Under Which Business is Done</u>	<u>Where Organized</u>
ActSolar, Inc.	Delaware
Algorex Inc.	California
ASIC II Limited	Hawaii
Benchmark Microelectronics Corporation of South Korea	Delaware
Burr-Brown International Holding Corporation	Delaware
Energy Recommerce Inc.	California
innoCOMM wireless	California
Integrated Circuit Designs, Inc.	Maryland
Luminary Micro India Private Limited	India
Mediamatics, Inc.	California
National Acquisition Sub, Inc.	Delaware
National Semiconductor (I.C.) Limited	Israel
National Semiconductor (Maine), Inc.	Delaware
National Semiconductor Corporation	Delaware
National Semiconductor Germany AG	Germany
National Semiconductor GmbH	Germany
National Semiconductor Holding Sdn. Bhd.	Malaysia
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 Labuan Ltd.	Malaysia
National Semiconductor Malaysia LLC	Delaware
National Semiconductor Manufacturing Hong Kong Limited	Hong Kong
National Semiconductor (Pte) Limited	Singapore
National Semicondutores da America do Sul Ltda.	Brazil
National Semicondutores do Brasil Ltda.	Brazil
Telogy Networks, Inc.	Delaware
Texas Instruments AB	Sweden
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 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 Education Technology GmbH	Germany

<u>Subsidiary and Name Under Which Business is Done</u>	<u>Where Organized</u>
Texas Instruments Electronics Malaysia Sdn. Bhd.	Malaysia
Texas Instruments Espana, S.A.	Spain
Texas Instruments Estonia Oü	Estonia
Texas Instruments Finland Oy	Finland
Texas Instruments France SAS	France
Texas Instruments Gesellschaft m.b.H.	Austria
Texas Instruments Holland B.V.	Netherlands
Texas Instruments Hong Kong Limited	Hong Kong
Texas Instruments Hungary Korlatolt Felelossegu Tarsasag	Hungary
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 Ireland Trading Limited	Ireland
Texas Instruments Israel Ltd.	Israel
Texas Instruments Israel Medical (2009) Ltd.	Israel
Texas Instruments Italia S.r.l.	Italy
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 Management GmbH & Co. KG	Germany
Texas Instruments Melbourne Incorporated	Florida
Texas Instruments Northern Virginia Incorporated	Delaware
Texas Instruments Norway AS	Norway
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 Semiconductor Trading Limited Company	Turkey
Texas Instruments Semicondutores e Tecnologias Ltda.	Brazil
Texas Instruments (Shanghai) Co., Ltd.	China
Texas Instruments Singapore (Pte) Limited	Singapore
Texas Instruments Sunnyvale Incorporated	Delaware
Texas Instruments Sweden AB	Sweden
Texas Instruments Taiwan Limited	Taiwan
Texas Instruments Tucson Corporation	Delaware
Texas Instruments (U.K.) Holdings Limited	United Kingdom
Texas Instruments (U.K.) Limited	United Kingdom
Texas Instruments (U.K.) Pension Trust Company Limited	United Kingdom
TI Europe Limited	United Kingdom

Subsidiary and Name Under Which Business is Done**Where Organized**

TI (Philippines), Inc.

Philippines

TI Verwaltungs GmbH

Germany

Unitrode Corporation

Maryland

Unitrode-Maine

Maine

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following registration statements, and in the related prospectuses thereto, of our reports dated February 24, 2015, 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 this Annual Report on Form 10-K for the year ended December 31, 2014: 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, No. 333-177235, No. 333-195692 and No. 333-197792; Registration Statements (Forms S-3) No. 333-165045 and No. 333-186803; 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, 2015

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, 2015

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

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, 2015

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer

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, 2014, 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, 2015

/s/ Richard K. Templeton

Richard K. Templeton
Chairman, President and
Chief Executive Officer

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, 2014, 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, 2015

/s/ Kevin P. March

Kevin P. March
Senior Vice President and
Chief Financial Officer
