TEXAS INSTRUMENTS INC
Form 424B2
May 01, 2013
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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these notes has been filed with the Securities and Exchange Commission and is effective. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Filed pursuant to Rule 424(b)(2)
Registration No. 333-186803

SUBJECT TO COMPLETION, DATED MAY 1, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus Dated February 22, 2013)

$

$ % Notes due 20

$ % Notes due 20

Texas Instruments Incorporated is offering the aggregate principal amount of each series of notes (collectively, the Notes), which will bear interest at the rate per year, in each case as set forth above. Interest on the Notes will be payable semi-annually in arrears on and of each year, beginning , 2013.

The 20 Notes will mature on , 20 and the 20 Notes will mature on , 20 .

We may redeem some or all of the Notes at any time, each at the redemption price indicated under the caption Description of the Notes Optional Redemption.

The Notes will be our unsecured senior obligations and will rank equally with all of our other existing and future unsecured and unsubordinated indebtedness from time to time outstanding.

Investing in the Notes involves risks. See Risk Factors beginning on page S-7.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per 20 Note	Per 20 Note	Total
Public Offering Price	%	%	$
Underwriting Discount	%	%	$
Proceeds to us (before expenses)	%	%	$

Interest on the Notes will accrue from May , 2013 to the date of delivery.

The underwriters expect to deliver the Notes to purchasers on or about May , 2013, only in book-entry form through the facilities of The Depository Trust Company.

Joint Book-Running Managers

J.P. Morgan Morgan Stanley Citigroup Mizuho Securities

May , 2013

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We are responsible for the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free-writing prospectus we prepare or authorize. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference into this prospectus supplement or the accompanying prospectus is accurate as of any date other than its date.

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CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

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

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

- Market demand for semiconductors, particularly in key markets such as communications, computing, industrial, consumer electronics and automotive;
- 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 severe weather and earthquakes in the locations in which TI, its customers or its suppliers operate;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, the outcome of tax audits and the ability to realize deferred tax assets;
- Changes in laws and regulations to which TI or its suppliers are or may become subject, such as those imposing fees or reporting or substitution costs relating to the discharge of emissions into the environment or the use of certain raw materials in our manufacturing processes;

Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;

Customer demand that differs from our forecasts;

The financial impact of inadequate or excess TI inventory that results from demand that differs from projections;

Impairments of our non-financial assets;

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- Product liability or warranty claims, claims based on epidemic or delivery failure or recalls by TI customers for a product containing a TI part;
- TI s ability to recruit and retain skilled personnel;
- Timely implementation of new manufacturing technologies 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.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or risks, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements. New information, future events or risks could cause the forward-looking events we discuss in this prospectus supplement, the accompanying prospectus or the documents incorporated herein by reference not to occur. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the Securities and Exchange Commission.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first is this prospectus supplement, which describes the specific terms of this offering. This prospectus supplement also incorporates by reference the information described under Where You Can Find More Information. The second part is the accompanying prospectus dated February 22, 2013. The accompanying prospectus contains a description of our debt securities and gives more general information, some of which may not apply to this offering.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

Unless we have indicated otherwise, references in this prospectus supplement to TI, we, us and our or similar terms are to Texas Instruments Incorporated and its consolidated subsidiaries; references in this prospectus supplement to Texas Instruments Incorporated excludes its consolidated subsidiaries.

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SUMMARY

The following summary highlights information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. It may not contain all of the information that you should consider before investing in the Notes. You should carefully read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference herein that are described under Where You Can Find More Information.

Texas Instruments Incorporated

At TI, we design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 35 countries.

We were the world s fourth largest semiconductor company in 2012 as measured by revenue.

Recent Developments

On April 22, 2013, we announced our results of operations as of and for the three months ended March 31, 2013. A summary of our results is as follows:

1Q13 financial summary

Amounts are in millions of dollars, except per-share amounts.

	1Q13	1Q12	Change
Revenue	$ 2,885	$ 3,121	-8%
Operating profit	$ 395	$ 397	-1%
Net income	$ 362	$ 265	37%
Earnings per share	$ .32	$ .22	45%
Cash flow from operations	$ 360	$ 449	-20%

1Q13 additional financial information

Our Analog and Embedded Processing segments contributed 77 percent of revenue in the first quarter.

Cash and short-term investments were $3.9 billion at the end of the quarter, 84 percent of which is owned by the company s U.S. entities.

In the quarter, we announced a 33 percent increase in our dividend to $1.12 per share annualized, and we added another $5 billion to our stock repurchase authorization.

We returned $911 million in the quarter to shareholders through dividends and stock repurchases. For the trailing 12 months the return to shareholders totaled $3 billion.

1Q13 segment results

Effective January 1, 2013, we transitioned our segment reporting to align with our strategic focus and new organizational structure. The Wireless segment has been eliminated, as the company has announced that it is winding down investment in Wireless products for the smartphone and consumer tablet markets. Financial results for these legacy wireless products are included in Other. Financial results for Wireless products that address embedded applications, a strategic focus for the company, are reported in the Embedded Processing segment. In addition, some products, primarily radio frequency identification (RFID) products used in automotive

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applications, were reclassified from Other to Embedded Processing. Historical information for the new segment structure is available at ti.com/ir. We are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

	1Q13	1Q12	Change	4Q12	Change
Analog:					
Revenue	$ 1,648	$ 1,686	-2%	1,669	-1%
Operating profit	$ 300	$ 335	-10%	419	-28%
Embedded Processing:					
Revenue	$ 561	$ 540	4%	546	3%
Operating profit	$ 7	$ 35	-80%	11	-36%
Other:					
Revenue	$ 676	$ 895	-24%	764	-12%
Operating profit	$ 88	$ 27	226%	(291)	n/a

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas 75266-0199, and our telephone number is (214) 479-3773. We maintain a website at www.ti.com where general information about us is available. Again, we are not incorporating the contents of the website into this prospectus supplement or the accompanying prospectus.

For a description of our business, financial condition, results of operations and other important information regarding us, see our filings with the Securities and Exchange Commission incorporated by reference in this prospectus supplement. For instructions on how to find copies of these and our other filings incorporated by reference in this prospectus supplement, see Where You Can Find More Information.

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The Offering

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The Description of the Notes section of this prospectus supplement and the Description of Debt Securities section of the accompanying prospectus contain a more detailed description of the terms and conditions of the Notes.

Issuer	Texas Instruments Incorporated
Securities Offered	$ aggregate principal amount of % Notes due 20
	$ aggregate principal amount of % Notes due 20
Maturity Dates	, 20 for the 20 Notes
	, 20 for the 20 Notes
Original Issue Date	May , 2013
Interest Rates	Fixed rate of % for the 20 Notes
	Fixed rate of % for the 20 Notes
Interest Payment Dates	Each and beginning on , 2013, and on the maturity date for each series of Notes.
Ranking	The Notes will be the senior unsecured obligations of Texas Instruments Incorporated and will rank equally with all of its existing and future senior indebtedness from time to time outstanding. All existing and future liabilities of subsidiaries of Texas Instruments Incorporated will be effectively senior to the Notes.
	As of December 31, 2012, Texas Instruments Incorporated had approximately $5.7 billion of outstanding indebtedness. As of December 31, 2012, we had approximately $9.1 billion of total liabilities on a consolidated basis. Of this amount, subsidiaries of Texas Instruments Incorporated had approximately $2.1 billion of liabilities (including trade payables and excluding intercompany debt) to which the Notes will be effectively subordinated.
Form and Denomination	The Notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of $2,000 in principal amount and integral multiples of $1,000 in excess thereof. These global notes will be deposited with the trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company, or DTC. Except in the limited circumstances described under Description of the Notes Book-Entry; Delivery and Form; Global Note, Notes in certificated form will not be issued or exchanged for interests in global securities.
Governing Law	The internal laws of the State of New York
Use of Proceeds	We expect to use the net proceeds of this offering for repayment of outstanding debt, such as the notes due May 15, 2013 bearing interest at a fixed rate of 0.875% and those due May 15, 2013 bearing interest at a floating rate. We have an interest rate swap agreement related to the floating rate notes, the net effect of which is to convert that floating-rate debt to a fixed-rate obligation bearing a rate of 0.922%. See Use of Proceeds. In connection with the issuance of the Notes,

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	we may enter into interest rate swap agreements with financial institutions, which may include one or more of the underwriters or their affiliates.
Further Issuances	Texas Instruments Incorporated may create and issue further notes of a series ranking equally and ratably with the applicable series of Notes offered by this prospectus supplement in all respects, so that such further notes of each series will be consolidated and form a single series with the applicable series of Notes offered by this prospectus supplement.
Sinking Fund	None
Optional Redemption	Texas Instruments Incorporated may redeem some or all of the Notes at any time at the redemption prices indicated under the heading Description of the Notes Optional Redemption.
Trading	The Notes are new issues of securities with no established trading market. We do not intend to apply for listing of the Notes on any securities exchange. The underwriters have advised us that they intend to make a market in each series of the Notes, but they are not obligated to do so and may discontinue market-making at any time without notice. See Underwriting in this prospectus supplement for more information about possible market-making by the underwriters.
Trustee	U.S. Bank National Association
Risk Factors	You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus and the documents incorporated herein by reference. In particular, you should evaluate the information set forth under Cautionary Note on Forward-Looking Statements and Risk Factors before deciding whether to invest in the Notes.

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Summary Historical Financial Information

The following table sets forth our summary historical financial information. The summary historical financial information for the years ended December 31, 2012, 2011 and 2010 and as of December 31, 2012 and 2011 has been derived from our audited consolidated financial statements included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

Various factors will have an effect on our financial condition and results of operations. You should read the summary historical financial information in conjunction with the information under Risk Factors, Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and the related notes, all included elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Year Ended December 31,		
(Millions of dollars, except share and per-share amounts)	**2012**	**2011**	**2010**
Revenue	$ 12,825	$ 13,735	$ 13,966
Cost of revenue	6,457	6,963	6,474
Gross profit	6,368	6,772	7,492
Research and development	1,877	1,715	1,570
Selling, general and administrative	1,804	1,638	1,519
Restructuring charges/other	264	112	(111)
Acquisition charges	450	315	0
Operating profit	1,973	2,992	4,514
Other income (expense) net	47	5	37
Interest and debt expense	85	42	
Income before income taxes	1,935	2,955	4,551
Provision for income taxes	176	719	1,323
Net income	$ 1,759	$ 2,236	$ 3,228
Earnings per common share:			
Basic	$ 1.53	$ 1.91	$ 2.66
Diluted	$ 1.51	$ 1.88	$ 2.62
Average shares outstanding (millions):			
Basic	1,132	1,151	1,199
Diluted	1,146	1,171	1,213

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(Millions of dollars, except share and per-share amounts)	December 31, 2012	2011
Assets		
Cash, cash equivalents and short-term investments	$ 3,965	$ 2,935
Accounts receivable, net of allowances	$ 1,230	$ 1,545
Inventories	$ 1,757	$ 1,788
Total current assets	$ 8,230	$ 7,828
Property, plant and equipment, net	$ 3,912	$ 4,428
Goodwill	$ 4,362	$ 4,452
Acquisition-related intangibles, net	$ 2,558	$ 2,900
Total assets	$ 20,021	$ 20,497
Liabilities and Stockholders Equity		
Total current liabilities	$ 3,430	$ 3,499
Long-term debt	$ 4,186	$ 4,211
Total liabilities	$ 9,060	$ 9,545
Total stockholders equity	$ 10,961	$ 10,952
Total liabilities and stockholders equity	$ 20,021	$ 20,497

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RISK FACTORS

In considering whether to purchase the Notes, you should carefully consider all the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. In addition, you should carefully consider the risk factors described below, which are not exhaustive.

Risks Related to Our Business

We hereby incorporate by reference risk factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2012.

Risks Related to the Offering

An active trading market for the Notes may not develop.

There is currently no public market for the Notes, and we do not currently plan to list the Notes on any national securities exchange. In addition, the liquidity of any trading market in the Notes, and the market price quoted for the Notes, may be adversely affected by changes in the overall market for these Notes, prevailing interest rates, ratings assigned to the Notes, time remaining to the maturity of the Notes, outstanding amount of the Notes, the market for similar securities, prospects for other companies in our industry and changes in our consolidated financial condition, results of operations or prospects. A liquid trading market in the Notes may not develop, which could decrease the amounts you would otherwise receive upon a sale or disposition of the Notes.

The Notes are the unsecured obligations of Texas Instruments Incorporated and not obligations of its subsidiaries and will be effectively subordinated to the claims of its subsidiaries creditors. Structural subordination increases the risk that Texas Instruments Incorporated will be unable to meet its obligations on the Notes when they mature.

The Notes are exclusively the obligations of Texas Instruments Incorporated and are not obligations of its subsidiaries. A substantial portion of Texas Instruments Incorporated operations are conducted through its subsidiaries. As a result, Texas Instruments Incorporated s cash flow and ability to service its debt, including the Notes, depend upon the earnings of its subsidiaries and the distribution to it of earnings, loans or other payments by its subsidiaries.

Texas Instruments Incorporated s subsidiaries are separate and distinct legal entities. Its subsidiaries will not guarantee the Notes and are under no obligation to pay any amounts due on the Notes or to provide Texas Instruments Incorporated with funds for its payment obligations, whether by dividends, distributions, loans or other payments. Payments to Texas Instruments Incorporated by its subsidiaries will also be contingent upon such subsidiaries earnings and business considerations and may be subject to legal and contractual restrictions. As of December 31, 2012, we had approximately $9.1 billion of total liabilities on a consolidated basis. Of this amount, subsidiaries of Texas Instruments Incorporated had approximately $2.1 billion of liabilities (including trade payables and excluding intercompany debt) to which the Notes will be effectively subordinated.

Texas Instruments Incorporated s right to receive any assets of any of its subsidiaries upon their liquidation or reorganization, and therefore the right of the holders of the Notes to participate in those assets, will be effectively subordinated to the claims of that subsidiary s creditors, including senior and subordinated debt holders and bank and trade creditors. The indenture governing the Notes does not limit the amount of additional indebtedness that Texas Instruments Incorporated s subsidiaries may incur and permits these subsidiaries to incur secured debt without restriction. In addition, even if Texas Instruments Incorporated were a creditor of any of its subsidiaries, its rights as a creditor would be subordinate to any security interest in the assets of its subsidiaries and any indebtedness of its subsidiaries senior to that held by Texas Instruments Incorporated.

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The Notes will be subject to the prior claims of any future secured creditors.

The Notes are unsecured obligations, ranking effectively junior to any secured indebtedness Texas Instruments Incorporated may incur in the future. The indenture governing the Notes does not limit the amount of additional debt that Texas Instruments Incorporated may incur and permits Texas Instruments Incorporated to incur secured debt under specified circumstances. If Texas Instruments Incorporated incurs secured indebtedness, its assets securing any such indebtedness will be subject to prior claims by its secured creditors. In the event of Texas Instruments Incorporated s bankruptcy, insolvency, liquidation, reorganization, dissolution or other winding up, or upon any acceleration of the Notes, Texas Instruments Incorporated s assets that secure other indebtedness will be available to pay obligations on the Notes only after all other such debt secured by those assets has been repaid in full. Any remaining assets will be available to you ratably with all of Texas Instruments Incorporated s other unsecured and unsubordinated creditors, including trade creditors. If there are not sufficient assets remaining to pay all these creditors, then all or a portion of the Notes then outstanding would remain unpaid.

The indenture governing the Notes contains negative covenants. The limitation on liens and sale/leaseback covenants do not apply to Texas Instruments Incorporated s subsidiaries and contain exceptions that would allow Texas Instruments Incorporated and its subsidiaries to grant liens or security interests with respect to their assets, rendering the holders of the Notes structurally or contractually subordinated to new lenders. The indenture governing the Notes does not contain any financial covenants.

The indenture governing the Notes contains negative covenants. The limitation on liens and limitation on sale/leaseback covenants apply to Texas Instruments Incorporated, but not to its subsidiaries. As a result, such subsidiaries will not be restricted under the indenture from granting liens or security interests with respect to all or any of their assets without having to provide similar liens or security to the holders of the Notes, or from entering into sale/leaseback transactions. Exceptions within the limitation on liens covenant would allow Texas Instruments Incorporated to borrow substantial additional amounts, and to grant liens or security interests in connection with those borrowings. The indenture governing the Notes does not contain any financial covenants.

Increased leverage may harm our financial condition and results of operations.

On an as adjusted basis after giving effect to this offering and the application of the net proceeds thereof, as more fully described in Use of Proceeds in this prospectus supplement, as of December 31, 2012, Texas Instruments Incorporated would have had approximately $ billion of total long-term indebtedness (including the Notes), all of which would have been unsecured and unsubordinated.

Texas Instruments Incorporated and its subsidiaries may incur additional indebtedness in the future and the Notes do not restrict future incurrence of indebtedness. Any increase in its level of indebtedness will have several important effects on Texas Instruments Incorporated s future operations, including, without limitation:

- Texas Instruments Incorporated will have additional cash requirements in order to support the payment of interest on its outstanding indebtedness;
- increases in its outstanding indebtedness and leverage will increase its vulnerability to adverse changes in general economic and industry conditions, as well as to competitive pressure; and
- depending on the levels of its outstanding debt, its ability to obtain additional financing for working capital, capital expenditures, general corporate and other purposes may be limited.

Texas Instruments Incorporated s ability to make payments of principal and interest on its indebtedness depends upon its future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting its consolidated operations, many of which are beyond its control. If Texas Instruments Incorporated is unable to generate sufficient cash flow from operations in the future to service its debt, it may be required, among other things:

- to seek additional financing in the debt or equity markets;

to refinance or restructure all or a portion of its indebtedness, including the Notes;

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- to sell selected assets;
- to reduce or delay planned capital expenditures; or
- to reduce or delay planned operating and investment expenditures.

Such measures might not be sufficient to enable Texas Instruments Incorporated to service its debt. In addition, any such financing, refinancing or sale of assets might not be available on economically favorable terms.

The terms of the Notes will not protect you in the event of highly leveraged transactions or a change of control.

The terms of the Notes will not afford you protection in the event of certain highly leveraged transactions or a change of control that may adversely affect you. As a result, Texas Instruments Incorporated could enter into any such transaction even though the transaction could increase the total amount of its outstanding indebtedness, adversely affect its capital structure or credit rating or otherwise adversely affect the holders of the Notes. If any such transaction were to occur, the value of your Notes could decline.

Credit ratings of the Notes may change and affect the market price and marketability of the Notes.

Credit ratings are limited in scope, and do not address all material risks relating to an investment in the Notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of such rating may be obtained from such rating agency. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency s judgment, circumstances so warrant. It is also possible that such ratings may be lowered in connection with future events. Holders of Notes will have no recourse against Texas Instruments Incorporated or any other parties in the event of a change in or suspension or withdrawal of such ratings. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price or marketability of the Notes. In addition, any decline in the ratings of the Notes may make it more difficult for us to raise capital on acceptable terms.

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USE OF PROCEEDS

We anticipate that we will receive net proceeds of approximately $ million from this offering after underwriters discounts and other estimated expenses. We expect to use the net proceeds of this offering for repayment of outstanding debt, such as the notes due May 15, 2013 bearing interest at a fixed rate of 0.875% and those due May 15, 2013 bearing interest at a floating rate. We have an interest rate swap agreement related to the floating rate notes, the net effect of which is to convert that floating-rate debt to a fixed-rate obligation bearing a rate of 0.922%. Initially we intend to invest the proceeds from this offering in certificates of deposit, United States government securities and certain other interest-bearing securities.

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CAPITALIZATION

The following table sets forth a summary of our consolidated cash, cash equivalents and short-term investments and our capitalization on an actual and as adjusted basis as of December 31, 2012. Our consolidated capitalization, as adjusted, gives effect to the issuance of the Notes offered by this prospectus supplement and the application of the estimated net proceeds as described in Use of Proceeds as if the offering had occurred on December 31, 2012. This table should be read in conjunction with our consolidated financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2012	
(Millions of dollars, except share and per share amounts)	**Historical**	**As Adjusted**
Cash, cash equivalents and short-term investments	$ 3,965	$
Long-term debt:		
20 Notes offered hereby		$
20 Notes offered hereby		
Other long-term debt (1)	4,186	4,186
Total long-term debt	4,186	
Stockholders equity:		
Preferred stock, $25 par value		
Authorized 10,000,000 shares. Participating cumulative preferred. None issued		
Common stock, $1 par value	1,741	1,741
Authorized 2,400,000,000 shares. Shares issued: 1,740,815,939		
Paid-in-capital	1,176	1,176
Retained earnings	27,205	27,205
Less treasury common stock at cost (596,461,198 shares)	(18,462)	(18,462)
Accumulated other comprehensive income (loss)	(699)	(699)
Total stockholders equity	10,961	10,961
Total capitalization	$ 19,112	$

(1) Consists of $5.6 billion of our existing outstanding notes plus net unamortized premium of $61 million, which was assumed with our acquisition of National Semiconductor Corporation, less $1.5 billion representing the current portion of long-term debt.

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RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for each of the periods indicated.

	Year Ended December 31,		
	2012	2011	2010
Ratio of earnings to fixed charges	20.6x	55.9x	304.8x

Earnings consist of earnings from continuing operations, fixed charges, and other income or loss (including interest income, distributions from equity investments, and other miscellaneous non-operational items such as currency exchange gains or losses). Fixed charges consist of total interest on loans, interest attributable to rental and lease expense, and capitalized interest.

As adjusted to give effect to the issuance of the Notes in this offering and the application of the net proceeds from this offering as described in Use of Proceeds in this prospectus supplement, with assumptions as to size and interest rates we believe are reasonable, and assuming the offering had been completed on December 31, 2011, our pro forma ratio of earnings to fixed charges would have been 18.7x for the year ended December 31, 2012.

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Description of the Notes

The summary herein of certain provisions of the indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the indenture, which has been filed as an exhibit to the current report on Form 8-K filed by TI on May 23, 2011. The following description of the particular terms of the Notes supplements the description of the general terms and provisions of the debt securities set forth under Description of Debt Securities beginning on page 8 of the accompanying prospectus.

General

The 20 Notes will mature on , 20 and the 20 Notes will mature on , 20 . The Notes will be issued in book-entry form only, in denominations of $2,000 and multiples of $1,000 thereafter. Interest on the Notes will accrue from May , 2013 at the respective rates per annum shown on the cover of this prospectus supplement. The Notes will be payable semi-annually on and , commencing on , 2013 to the persons in whose names the Notes are registered at the close of business on the preceding or , as the case may be. Interest on the Notes will be paid to but excluding the relevant interest payment date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Notes will be issued under the indenture dated May 23, 2011 by and between Texas Instruments Incorporated and U.S. Bank National Association, as may be further supplemented from time to time. U.S. Bank National Association is the trustee for any and all securities issued under the indenture, as amended, including the Notes, and is referred to herein as the trustee. Texas Instruments Incorporated will be the sole obligor on the Notes.

The indenture does not limit the ability of Texas Instruments Incorporated or its subsidiaries to incur additional unsecured indebtedness. The Notes will be the unsecured and unsubordinated obligations of Texas Instruments Incorporated and will rank pari passu with its other unsecured and unsubordinated indebtedness. The Notes will be effectively subordinated to all indebtedness and liabilities (including trade payables and preferred stock obligations) of Texas Instruments Incorporated s subsidiaries and will be effectively subordinated to its secured indebtedness, if any, and that of its subsidiaries, if any. As of December 31, 2012, Texas Instruments Incorporated had approximately $5.7 billion of outstanding indebtedness. As of December 31, 2012, we had approximately $9.1 billion of total liabilities on a consolidated basis. Of this amount, subsidiaries of Texas Instruments Incorporated had approximately $2.1 billion of liabilities (including trade payables and excluding intercompany debt) to which the Notes will be effectively subordinated.

On an as adjusted basis after giving effect to this offering and the application of the net proceeds thereof, as more fully described in Use of Proceeds in this prospectus supplement, as of December 31, 2012:

- Texas Instruments Incorporated would have had approximately $ billion of total long-term indebtedness (including the Notes), all of which would constitute senior and unsubordinated indebtedness;

- we would have had approximately $ billion of total liabilities on a consolidated basis;

- Texas Instruments Incorporated would not have had any secured indebtedness to which the Notes would have been effectively subordinated; and

- Texas Instruments Incorporated s subsidiaries would have had approximately $2.1 billion of liabilities (including trade payables but excluding intercompany debt) to which the Notes would have been structurally subordinated.

Issuance of Additional Notes

Texas Instruments Incorporated may, without the consent of the holders, increase the principal amount of any series of Notes by issuing additional Notes of such series in the future on the same terms and conditions,

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except for any differences in the issue price and interest accrued prior to the issue date of the additional Notes. The additional Notes of a series will have the same CUSIP number as the applicable series of Notes; *provided* that any additional Notes that are not fungible with the applicable series of Notes for U.S. federal income tax purposes will be issued under a separate CUSIP number.

Texas Instruments Incorporated also may, without the consent of the holders, issue other series of debt securities under the indenture in the future on terms and conditions different from the series of Notes offered hereby.

Optional Redemption

Until the maturity date in the case of the 20 Notes and prior to , 20 in the case of the 20 Notes (the date three months prior to the maturity date of the 20 Notes), the Notes will be redeemable, in whole or in part at any time, or from time to time, at Texas Instruments Incorporated s option, each at a make-whole premium redemption price calculated by Texas Instruments Incorporated equal to the greater of:

(i) 100% of the principal amount of the Notes to be redeemed; and

(ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below), plus basis points with respect to the 20 Notes and basis points with respect to the 20 Notes;

plus, in each case, accrued interest thereon to the date of redemption.

At any time on or after , 20 in the case of the 20 Notes (the date three months prior to the maturity date of the 20 Notes), the 20 Notes will be redeemable, in whole or in part at any time and from time to time, at Texas Instruments Incorporated s option at a redemption price equal to 100% of the principal amount of the 20 Notes to be redeemed plus accrued interest thereon to the date of redemption.

Notwithstanding the foregoing, installments of interest on Notes that are due and payable on interest payment dates falling on or prior to a redemption date will be payable on the interest payment date to the registered holders as of the close of business on the relevant record date as set forth in the Notes and the indenture.

For purposes of the foregoing discussion of an Optional Redemption, the following definitions are applicable:

Comparable Treasury Issue means the United States Treasury security selected by the Quotation Agent as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes.

Comparable Treasury Price means, with respect to any redemption date, (i) the average of four Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (ii) if the Quotation Agent obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations, or (iii) if only one Reference Treasury Dealer Quotation is received, such quotation.

Quotation Agent means the Reference Treasury Dealer appointed by Texas Instruments Incorporated.

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Reference Treasury Dealer means (i) J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Citigroup Global Markets Inc. and Mizuho Securities USA Inc. (or their respective affiliates that are Primary Treasury Dealers) and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a Primary Treasury Dealer), Texas Instruments Incorporated will substitute therefor another Primary Treasury Dealer, and (ii) any other Primary Treasury Dealer selected by Texas Instruments Incorporated.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Quotation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of the Notes to be redeemed. Unless Texas Instruments Incorporated defaults in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Notes or portions thereof called for redemption. If less than all of the Notes are to be redeemed, the Notes to be redeemed shall be selected by lot by The Depository Trust Company, in the case of Notes represented by a global note, or by the trustee by a method the trustee deems to be fair and appropriate, in the case of Notes that are not represented by a global note. No Notes of a principal amount of $2,000 or less will be redeemed in part. In addition, at any time we may repurchase Notes in the open market and may hold or surrender such Notes to the trustee for cancellation.

No Sinking Fund

The Notes will not be entitled to any sinking fund.

Events of Default

An event of default for any series of debt securities is defined under the indenture as being:

- our default in the payment of principal or premium on the debt securities of such series when due and payable whether at maturity, upon acceleration, redemption, or otherwise, but, in the case of technical or administrative difficulties, only if that default continues for a period of two days;

- our default in the payment of interest on any debt securities of such series when due and payable, if that default continues for a period of 30 days;

- our default in the performance of or breach of any of our other covenants or agreements in the indenture applicable to debt securities of such series, other than a covenant breach of which is specifically dealt with elsewhere in the indenture, and that default or breach continues for a period of 90 consecutive days after we receive written notice from the trustee or from the holders of 25% or more in aggregate principal amount of the debt securities of such series;

- there occurs any other event of default provided for in such series of debt securities;

- a court having jurisdiction enters a decree or order for:

relief in respect of us in an involuntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect;

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- appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official of us or for all or substantially all of our property and assets; or

- the winding up or liquidation of our affairs and such decree or order shall remain unstayed and in effect for a period of 60 consecutive days.

- we:

  - commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law;

  - consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, or similar official of ours for all or substantially all of our property and assets; or

  - effect any general assignment for the benefit of creditors.

The default by us under any other debt, including any other series of debt securities, is not a default under the indenture.

If an event of default other than an event of default specified in the last two bullet points above occurs with respect to a series of debt securities and is continuing under the indenture, then, and in each and every such case, either the trustee or the holders of not less than 25% in aggregate principal amount of such series then outstanding under the indenture (each such series voting as a separate class) by written notice to us and to the trustee, if such notice is given by the holders, may, and the trustee at the request of such holders shall, declare the principal amount of and accrued interest, if any, on such debt securities to be immediately due and payable.

If an event of default specified in the last two bullet points above occurs with respect to us and is continuing, then the entire principal amount of the outstanding debt securities, including the Notes, will automatically become due immediately and payable without any declaration or other act on the part of the trustee or any holder.

Upon a declaration of acceleration, the principal amount of and accrued interest, if any, on such debt securities shall be immediately due and payable. Unless otherwise specified in the prospectus supplement relating to a series of debt securities originally issued at a discount, the amount due upon acceleration shall include only the original issue price of the debt securities, the amount of original issue discount accrued to the date of acceleration and accrued interest, if any.

Upon certain conditions declarations of acceleration may be rescinded and annulled and past defaults may be waived by the holders of a majority in aggregate principal amount of all the securities of such series affected by the default, each series voting as a separate class, (or, of all the debt securities, as the case may be, voting as a single class). Furthermore, subject to various provisions in the indenture, the holders of at least a majority in aggregate principal amount of a series of debt securities by notice to the trustee, may waive an existing default or event of default with respect to such debt securities and its consequences, except a default in the payment of principal of or interest on such debt securities or in respect of a covenant or provision of the indenture which cannot be modified or amended without the consent of the holders of each such debt securities. Upon any such waiver, such default shall cease to exist, and any event of default with respect to such debt securities shall be deemed to have been cured, for every purpose of the indenture; but no such waiver shall extend to any subsequent or other default or event of default or impair any right consequent thereto. For information as to the waiver of defaults, see Description of Debt Securities Modification and Waiver.

The holders of at least a majority in aggregate principal amount of a series of debt securities may direct the time, method, and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to such debt securities. However, the trustee may refuse to

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follow any direction that conflicts with law or the indenture, that may involve the trustee in personal liability, or that the trustee determines in good faith may be unduly prejudicial to the rights of holders of such issue of debt securities not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from holders of such issue of debt securities. A holder may not pursue any remedy with respect to the indenture or any series of debt securities unless:

- the holder gives the trustee written notice of a continuing event of default;
- the holders of at least 25% in aggregate principal amount of such series of debt securities make a written request to the trustee to pursue the remedy in respect of such event of default;
- the requesting holder or holders offer the trustee indemnity satisfactory to the trustee against any costs, liability, or expense;
- the trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and
- during such 60-day period, the holders of a majority in aggregate principal amount of such series of debt securities do not give the trustee a direction that is inconsistent with the request.

These limitations, however, do not apply to the right of any holder of a debt security to receive payment of the principal of or interest, if any, on such debt security, or to bring suit for the enforcement of any such payment, on or after the due date for the debt securities, which right shall not be impaired or affected without the consent of the holder.

The indenture requires certain of our officers to certify, on or before a fixed date in each year in which any security is outstanding, as to their knowledge of our compliance with all conditions and covenants under the indenture.

Book-Entry; Delivery and Form; Global Note

The Notes of each series sold in the United States will be issued in the form of one or more fully registered global notes without interest coupons which will be deposited with, or on behalf of, The Depository Trust Company (DTC), New York, New York, and registered in the name of Cede & Co., as nominee of DTC, for the accounts of participants in DTC. Unless and until exchanged, in whole or in part, for Notes in definitive registered form, a global note may not be transferred except as a whole (i) by the depositary for such global note to a nominee of such depositary, (ii) by a nominee of such depositary to such depositary or another nominee of such depositary or (iii) by such depositary or any such nominee to a successor of such depositary or a nominee of such successor.

Ownership of beneficial interests in a registered global note will be limited to persons, called participants, that have accounts with the depositary (currently DTC) or persons that may hold interests through participants in DTC. Investors may hold their interests in a global note directly through Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear), and Clearstream Banking, *société anonyme* (Clearstream), if they are participants in such systems, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream will hold interests in a global note on behalf of their participants through their respective depositaries, which in turn will hold such interests in the global note in customers securities accounts in the depositaries names on the books of DTC.

Upon transfer of a definitive note, the definitive note will be exchanged for an interest in a global note, and the transferee will be required to hold its interest through a participant in DTC, Euroclear or Clearstream, as applicable.

Upon the issuance of a registered global note, the depositary will credit, on its book-entry registration and transfer system, the participants accounts with the respective principal or face amounts of the relevant series of

Notes beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the Notes will designate the accounts to be credited. Ownership of beneficial interests in a registered global note will be shown on, and the transfer of ownership interests will be effected only through, records maintained by the depositary, with respect to interests of participants, and on the records of participants, with respect to interests of persons holding through participants.

So long as the depositary, or its nominee, is the registered owner of a registered global note, that depositary or its nominee, as the case may be, will be considered the sole owner or holder of the relevant series of Notes represented by the registered global note for all purposes under the indenture. Except as described below, owners of beneficial interests in a registered global note will not be entitled to have the Notes represented by the registered global note registered in their names, will not receive or be entitled to receive physical delivery of the Notes in definitive form and will not be considered the owners or holders of the Notes under the indenture. Accordingly, each person owning a beneficial interest in a registered global note must rely on the procedures of the depositary for that registered global note and, if that person is not a participant, on the procedures of the participant through which the person owns its interest, to exercise any rights of a holder under the indenture. The laws of some states may require that some purchasers of Notes take physical delivery of these Notes in definitive form. Such laws may impair the ability to transfer beneficial interests in a global note.

To facilitate subsequent transfers, all Notes deposited by participants with DTC will be registered in the name of DTC s nominee, Cede & Co. The deposit of the Notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC will have no knowledge of the actual beneficial owners of the Notes. DTC s records reflect only the identity of the direct participants to whose accounts such Notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Texas Instruments Incorporated will make payments due on the Notes to Cede & Co., as nominee of DTC, in immediately available funds. DTC s practice upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders on that registered global note, is to immediately credit participants accounts in amounts proportionate to their respective beneficial interests in that registered global note as shown on the records of the depositary. Payments by participants to owners of beneficial interests in a registered global note held through participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of those participants. Payment to Cede & Co. is the responsibility of Texas Instruments Incorporated. Disbursement of such payments to direct participants is the responsibility of Cede & Co. Disbursement of such payments to the beneficial owners is the responsibility of direct and indirect participants. None of Texas Instruments Incorporated, the trustee or any other agent of ours or any agent of the trustee will have any responsibility or liability for any aspect of the records relating to payments made on account of beneficial ownership interests in the registered global note or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures. If a holder requires physical delivery of a definitive note for any reason, including to sell Notes to persons in jurisdictions that require such delivery of such Notes or to pledge such Notes, such holder must transfer its interest in the relevant global note in accordance with the normal procedures of DTC and the procedures set forth in the indenture.

Cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the global note in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear participants and Clearstream participants may not deliver instructions directly to the depositories for Euroclear or Clearstream.

Because of the time zone differences, the securities account of a Euroclear or Clearstream participant purchasing an interest in the global note from a DTC participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date, and such credit of any transaction s interests in the global note settled during such processing day will be reported to the relevant Euroclear or Clearstream participant on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Texas Instruments Incorporated expects that DTC will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the DTC interests in a global note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the Notes, DTC will exchange each global note for definitive notes, which it will distribute to its participants.

Although Texas Instruments Incorporated expects that DTC, Euroclear and Clearstream will agree to the foregoing procedures in order to facilitate transfers of interests in each global note among participants of DTC, Euroclear and Clearstream, DTC, Euroclear and Clearstream are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither Texas Instruments Incorporated nor the trustee will have any responsibility for the performance by DTC, Euroclear or Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If the depositary for any of the Notes represented by a registered global note is at any time unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Exchange Act, and a successor depositary registered as a clearing agency under the Exchange Act is not appointed by Texas Instruments Incorporated within 90 days, Texas Instruments Incorporated will issue Notes in definitive form in exchange for the registered global note that had been held by the depositary. Any Notes issued in definitive form in exchange for a registered global note will be registered in the name or names that the depositary gives to the trustee or other relevant agent of or the trustee. It is expected that the depositary s instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in the registered global note that had been held by the depositary. In addition, Texas Instruments Incorporated may at any time determine that the Notes of any series shall no longer be represented by a global note and will issue Notes in definitive form in exchange for such global note pursuant to the procedure described above.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions, such as transfers and pledges, among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations, some of whom own DTC. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

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Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

The information in this section concerning DTC and DTC s book-entry system, as well as information regarding Euroclear and Clearstream, has been obtained from sources that Texas Instruments Incorporated believes to be reliable, but Texas Instruments Incorporated takes no responsibility for its accuracy or completeness. Texas Instruments Incorporated assumes no responsibility for the performance by DTC, Euroclear, Clearstream or their respective participants of their respective obligations, including obligations that they have under the rules and procedures that govern their operations.

Notices

Notices to holders of the Notes will be made by first class mail, postage prepaid, to the addresses that appear on the security register of the Notes.

Concerning Our Relationship with the Trustee

We maintain ordinary banking relationships with the trustee and its affiliates and in the future may enter into additional such relationships. The trustee is a lender under our credit facility.

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MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following are the material U.S. federal income tax consequences of owning and disposing of Notes purchased in this offering at the issue price, which we assume will be the applicable public offering price indicated on the cover of this prospectus supplement, and held as capital assets for U.S. federal income tax purposes.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences and differing tax consequences applicable to you if you are, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader in securities;
- a person holding Notes as part of a straddle or integrated transaction;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of each of your partners will generally depend on the status of the partner and your activities.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. This summary does not discuss any aspect of state, local, or non-U.S. taxation, any federal taxes other than income taxes, or the potential application of the Medicare contribution tax. If you are considering the purchase of Notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Tax Consequences to U.S. Holders

This section applies to you if you are a U.S. Holder. You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a citizen or individual resident of the United States;

- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or

- an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

Payments of Interest

Stated interest on a Note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and this discussion assumes, that the Notes will be issued without original issue discount for U.S. federal income tax purposes. If, however, the Notes principal amount exceeds the issue price by at least a de minimis amount, as

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determined under applicable Treasury Regulations, you will be required to include such excess in income as original issue discount, as it accrues, in accordance with a constant yield method based on a compounding of interest before the receipt of cash payments attributable to this income.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a Note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the Note. Your adjusted tax basis in a Note will equal the cost of your Note. For these purposes, the amount realized does not include any amount attributable to accrued but unpaid interest, which is treated as described under Payments of Interest above. Gain or loss realized on the sale or other taxable disposition of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale or other taxable disposition the Note has been held for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders are subject to reduced tax rates. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting

Information returns are required to be filed with the Internal Revenue Service (IRS) in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes unless you are an exempt recipient. You may also be subject to backup withholding on these payments in respect of your Notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Tax Consequences to Non-U.S. Holders

This section applies to you if are a Non-U.S. Holder. You are a Non-U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a Note and are:

- a nonresident alien individual;
- a foreign corporation; or
- a foreign estate or trust.

You are not a Non-U.S. Holder if you are a nonresident alien individual present in the United States for 183 days or more in the taxable year of disposition of a Note, or if you are a former citizen or former resident of the United States, in which case you should consult your tax adviser regarding the U.S. federal income tax consequences of owning and disposing of a Note.

Payments on the Notes

Payments of principal and interest on the Notes to you will not be subject to U.S. federal income or withholding tax, provided that, in the case of interest,