

2002 BCSECCOM 622

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Relief from registration and prospectus requirements for issuance of securities by foreign issuer to Canadian employees, former employees and permitted transferees and for related trades in connection with a long-term incentive plan and employee stock purchase plans – Relief from issuer bid requirements for acquisition by foreign issuer of shares and awards under such plans – Issuer with *de minimis* Canadian presence

Applicable British Columbia Provisions

Securities Act, R.S.B.C. 1996, c. 418, ss. 48, 76 and 114(2)(c)

IN THE MATTER OF THE SECURITIES LEGISLATION OF ONTARIO, BRITISH COLUMBIA AND ALBERTA

AND IN THE MATTER OF THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND IN THE MATTER OF TEXAS INSTRUMENTS INCORPORATED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the “Decision Maker”) in each of Ontario, British Columbia and Alberta (the “Jurisdictions”) has received an application from Texas Instruments Incorporated (“Texas Instruments” or the “Company”) for a decision pursuant to the securities legislation of the Jurisdictions (the “Legislation”) that: (i) the requirements contained in the Legislation to be registered to trade in a security (the “Registration Requirements”) and the requirement to file a prospectus and obtain a receipt (the “Prospectus Requirements”) (the Registration Requirement and the Prospectus Requirement are, collectively, the “Registration and Prospectus Requirements”) will not apply to certain trades in securities of Texas Instruments made in connection with the Texas Instruments 2000 Long-Term Incentive Plan (the “LTIP”), the TI Employees 2002 Stock Purchase Plan (the “2002 ESPP”), the TI Employees 1997 Stock Purchase Plan (the “1997 ESPP”) (the 2002 ESPP and 1997 ESPP together the “ESPPs”, the LTIP and ESPPs are collectively, the “Plans”); (ii) the Registration Requirement will not apply to first trades of shares of common stock acquired under the Plans executed on an exchange or market outside of Canada; and (iii) the requirements contained in the Legislation relating to the delivery of an offer and issuer bid circular and any notices of change or variation thereto, minimum deposit periods and withdrawal rights, taking up and paying for securities tendered to an issuer bid, disclosure, restrictions upon

2002 BCSECCOM 622

purchases of securities, bid financing, identical consideration and collateral benefits together with the requirement to file a reporting form within 10 days of an exempt issuer bid and pay a related fee (the “Issuer Bid Requirements”) will not apply to certain acquisitions by the Company of Shares pursuant to the LTIP in each of the Jurisdictions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the “System”), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Texas Instruments has represented to the Decision Makers as follows:

1. Texas Instruments is presently a corporation in good standing incorporated under the laws of the State of Delaware.
2. Texas Instruments and affiliates of Texas Instruments (“Texas Affiliates”) (Texas Instruments and Texas Affiliates are collectively, the “Texas Companies”) are primarily engaged in the design, manufacture, and sale of semiconductors, sensors and controls, and educational and productivity solutions.
3. The Company is registered with the Securities and Exchange Commission (the “SEC”) in the U.S. under the U.S. Securities Exchange Act of 1934 (the “Exchange Act”) and is not exempt from the reporting requirements of the Exchange Act pursuant to Rule 12g-3-2.
4. The Company is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions.
5. Texas Instruments Canada Limited, a wholly owned subsidiary of Texas Instruments, is not a reporting issuer in any of the Jurisdictions and has no present intention of becoming a reporting issuer in any of the Jurisdictions.
6. The authorized share capital of Texas Instruments consists of 2,410,000,000 shares of common stock (“Shares”); 10,000,000 shares of Preferred Stock (“Preferred Shares”). As of March 31, 2002, there were 1,734,397,724 Shares and no Preferred Shares issued and outstanding.
7. The Shares are listed on the New York Stock Exchange (the “NYSE”).
8. Texas Instruments uses the services of one or more agent(s)/broker(s) under the Plans (each an “Agent”). Initially UBS PaineWebber Inc. (“UBS”) has

2002 BCSECCOM 622

been appointed as an agent/broker in connection with the LTIP. Computershare Trust Company, Inc. is the administrator for the ESPPs and, as administrator, it uses Computershare Securities Corporation (“Computershare”) as the agent/broker for the ESPPs. In addition, with respect to the ESPPs, Broadcast Capital Corporation (“Broadcast”) (an institutional arm of Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Lynch”), executes the purchase and sale orders for the Shares. UBS, Broadcast, Computershare and Merrill Lynch are registered under applicable U.S. securities or banking legislation to trade in securities. None of these Agents are registered to conduct retail trades in the Jurisdictions. If the current agent/brokers were replaced, or if additional agents/brokers were appointed, Texas Instruments would not expect the successor or additional agents/brokers to be so registered in the Jurisdictions.

9. The Agents’ role in the Plans may include: (a) assisting with the administration of the Plans including providing record-keeping services; (b) facilitating the exercise of Options (as defined below), or other Awards (as defined below) which are exercisable for Shares (including cashless and stock-swap exercises); (c) holding Shares issued under the Plans on behalf of Participants (as defined below), Former Participants (as defined below) and Permitted Transferees (as defined below); (d) facilitating the cancellation and surrender of Awards as permitted under the Plans; (e) facilitating the resale of the Shares issued in connection with the Plans and (f) facilitating the mechanisms as set out in the Plans for the payment of withholding taxes.
10. The purpose of the LTIP is 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. The purpose of the ESPPs is to encourage in all employees a proprietary interest in the Company.
11. Subject to adjustment as described in the Plans, the maximum number of Shares that may be issued pursuant to the Plans are: 40,000,000 Shares under the 1997 ESPP; 20,000,000 Shares under the 2002 ESPP; and 120,000,000 Shares under the LTIP, plus any Shares remaining for grant of awards under the 1996 Long-Term Incentive Plan, predecessor to the LTIP.
12. The LTIP permits grants of options (“Options”) on Shares, restricted stock (“Restricted Stock”), restricted stock units (“Restricted Stock Units”), performance units (“Performance Units”) and other stock-based awards including stock appreciation rights and rights to dividends and dividend equivalents (“Other Stock-Based Awards”) (Options, Shares, Restricted Stock, Restricted Stock Units, Performance Units, and Other Stock-Based Awards

2002 BCSECCOM 622

are, collectively, “Awards”) to employees of the Texas Companies. Employees of Texas Companies receiving Awards will be referenced as “LTIP Participants”.

13. Under the ESPPs, employees of the Texas Companies are offered an opportunity to purchase Shares by means of applying accumulated payroll deductions to the purchase of Shares at a discount price determined in accordance with the terms of the ESPPs. Employees of Texas Companies participating in the ESPP will be referenced as “ESPP Participants”.
14. Employees of the Texas Companies eligible to participate in the Plans will not be induced to purchase Shares or to exercise Awards by expectation of employment or continued employment.
15. As of February 16, 2002, there were approximately forty-seven (47) Participants resident in Ontario, seven (7) Participants resident in Alberta and two (2) Participants resident in British Columbia.
16. All necessary securities filings have been made in the U.S. in order to offer the Plans to participants resident in the U.S.
17. A prospectus prepared according to U.S. securities laws describing the terms and conditions of the LTIP will be delivered to each LTIP Participant who receives an Award under the LTIP. Similarly, a prospectus prepared according to U.S. securities laws describing the terms and conditions of the ESPP will be delivered to each ESPP Participant who is eligible to participate in the ESPP. The annual reports, proxy materials and other materials Texas Instruments provides to its U.S. shareholders will be provided or made available upon request to LTIP Participants and ESPP Participants (together “Participants”) resident in the Jurisdictions who acquire and retain Shares under the Plans at substantially the same time and in substantially the same manner as such documents would be provided to U.S. shareholders.
18. The Plans are administered by the board of directors (the “Board”) of Texas Instruments or a committee appointed by the Board (the “Committee”).
19. In order to exercise an Option under the LTIP, an optionee must submit a written notice of exercise to Texas Instruments or to the Agent identifying the Option, the number of Shares being purchased and the method of payment, or this information may be communicated to the Agent telephonically.
20. The LTIP provides that on exercise of Options, the payment of the exercise price in order to acquire the Shares may be made: (a) in cash; (b) by the

2002 BCSECCOM 622

surrender of Shares owned by the Option holder to the Company for cancellation or deposit in treasury ("Stock-Swap Exercises") or to the Agent for resale; (c) by a combination of the foregoing; or (d) such other consideration and method of payment permitted by the Committee at an exercise price determined in accordance with the terms of the LTIP.

21. Options started under the LTIP will vest and will be exercisable as specified in the Option agreement as determined by the Committee. The exercise price for each Option shall be established in the discretion of the Board provided that the exercise price per Share shall not be less than the Fair Market Value (as defined in the LTIP) of a Share on the effective date of grant of the Option.
22. The Committee will fix the term of each Option. The Option holder will choose the date of exercise.
23. Restricted Stock and Restricted Stock Units will be subject to such restrictions as the LTIP or the Committee may impose. Unless otherwise determined by the Committee, upon termination of employment for any reason all Restricted Stock and Restricted Stock Units still subject to restriction will be forfeited and reacquired by the Company ("Award Forfeitures").
24. Performance Units become payable to a LTIP Participant upon the achievement of specified performance goals during specified performance periods. A Performance Unit may be denominated or payable in cash, Shares, other securities, other Awards, or other property. 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 will be determined by the Committee.
25. The Committee will determine the terms and conditions of Other Stock Based Awards. Shares or other securities granted under Other Stock Based Awards will be purchased for such consideration in an amount and in a form as determined by the Committee, which consideration will not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.
26. The Committee shall have the power and authority to cancel, forfeit and suspend any Award under the LTIP in its discretion, except that such action shall require consent of the affected Participant if such action would adversely affect the rights of such Participant under any outstanding Award ("Award Surrenders").

2002 BCSECCOM 622

27. Texas Instruments has the right to deduct applicable taxes from any payment under the LTIP by withholding, at the time of delivery or vesting of cash or Shares under the LTIP, an appropriate amount of cash or Shares ("Share Withholding Exercises") or a combination thereof for a payment of taxes required by law or to take such other action as may be necessary in the opinion of Texas Instruments or the Committee to satisfy the obligations for the withholding of such taxes based on minimum withholding rates.
28. Awards and rights under the Plans are not transferable by a Participant other than by will or beneficiary designation or by the laws of intestacy unless otherwise provided for by the Committee.
29. Following the termination of a Participant's relationship with the Texas Companies for reasons of disability, retirement, termination, change of control or any other reason (such Participants are "Former Participants"), and where Awards have been transferred by will or pursuant to a beneficiary designation or the laws of intestacy or otherwise on the death of a Participant ("Permitted Transferees"), the Former Participants and Permitted Transferees will continue to have rights in respect of the Plans ("Post-Termination Rights").
30. Post-Termination Rights may include, among other things: (a) the right to continued vesting and to exercise Awards for a period determined in accordance with the grant terms and the LTIP; (b) the right to receive Shares under the ESPPs and in certain limited circumstances, to purchase Shares under the ESPPs on the purchase date next following such termination; (c) the right to receive payment of accumulated payroll deductions in his or her account, without interest under the ESPPs; and (d) the right to sell Shares acquired under the Plans.
31. Post-Termination Rights will only be effective where such rights accrued while the Participant had a relationship with the Texas Companies.
32. As there is no market for the Shares in Canada and none is expected to develop, it is expected that the resale by Participants, Former Participants and Permitted Transferees of the Shares acquired under the Plans will be effected through the NYSE.
33. As of March 11, 2002, Canadian resident shareholders did not own (as record owners), directly or indirectly, more than 10% of the issued and outstanding Shares and do not represent in number more than 10% of the shareholders of Texas Instruments. If at any time during the currency of the Plans, Canadian shareholders of Texas Instruments hold of record, in the aggregate, greater than 10% of the total number of issued and outstanding Shares or if such

2002 BCSECCOM 622

shareholders represent in number more than 10% of all shareholders of Texas Instruments, Texas Instruments will not grant further Awards without first applying to the relevant Jurisdictions for an order with respect to further trades to and by Participants in that Jurisdiction in respect of the Shares acquired under the Plans.

34. Pursuant to the LTIP, the acquisition of Awards and Shares by the Company in the following circumstances may constitute an "issuer bid": Stock Swap Exercises, Share Withholding Exercises, Award Surrenders and Award Forfeitures involving Shares.
35. The issuer bid exemptions in the Legislation may not be available for such acquisitions by the Company since such acquisitions may occur at a price that is not calculated in accordance with the "market price," as that term is defined in the Legislation and may be made from Permitted Transferees.
36. The Legislation of all of the Jurisdictions does not contain exemptions from the Prospectus and Registration Requirements for all the intended trades in Awards under the Plans.
37. Where the Agents sell Shares on behalf of Participants, Former Participants and Permitted Transferees, the Agents, Participants, Former Participants and Permitted Transferees may not be able to rely upon the exemptions from the Registration Requirement contained in the Legislation of the Jurisdictions.

AND WHEREAS pursuant to the System, this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

- (a) the Registration and Prospectus Requirements will not apply to any trade or distribution of Awards made in connection with the Plans, including trades or distributions involving Texas Instruments or its affiliates, the Agent, Participants, Former Participants or Permitted Transferees, provided that the first trade in Shares acquired under the Plans pursuant to this Decision will be deemed a distribution or primary distribution to the public under the Legislation unless the conditions in subsection 2.14(1) of Multilateral Instrument 45-102 "Resale of Securities" are satisfied;

2002 BCSECCOM 622

- (b) the first trade by Participants, Former Participants or Permitted Transferees in Shares acquired pursuant to the Plans, including first trades effected through the Agent, will not be subject to the Registration Requirement, provided such first trade is executed through a stock exchange or market outside of Canada; and
- (c) the Issuer Bid Requirements will not apply to the acquisition by Texas Instruments of Awards and or Shares from Participants, Former Participants or Permitted Transferees in connection with the Plans provided such acquisitions are made in accordance with the provisions of the Plans.

DATED July 4th, 2002.

Robert W. Korthals

Harold P. Hands