

TEXAS INSTRUMENTS INC

Form S-3ASR

February 24, 2016

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As filed with the Securities and Exchange Commission on February 24, 2016

Registration No. 333-[ ]

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM S-3**

**REGISTRATION STATEMENT**

***UNDER***

***THE SECURITIES ACT OF 1933***

**TEXAS INSTRUMENTS INCORPORATED**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**12500 TI Boulevard**

**75-0289970**  
**(I.R.S. Employer**  
**Identification Number)**

**Dallas, Texas 75243**

**(214) 479-3773**

**(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)**

**Cynthia Hoff Trochu**

**Senior Vice President, Secretary and**

**General Counsel**

**Texas Instruments Incorporated**

**12500 TI Boulevard**

**Dallas, Texas 75243**

**(214) 479-3773**

**(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)**

*Copy to:*

**Bruce K. Dallas, Esq.**

**Davis Polk & Wardwell LLP**

**1600 El Camino Real**

**Menlo Park, California 94025**

**(650) 752-2000**

**Approximate date of commencement of proposed sale to the public:** From time to time after this Registration Statement becomes effective.

## Edgar Filing: TEXAS INSTRUMENTS INC - Form S-3ASR

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ☒

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ☐

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 <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
		Per Unit (1)		
Common Stock				
Preferred Stock				
Debt Securities				

Warrants

Units

- (1) An indeterminate amount of securities to be offered at indeterminate prices is being registered pursuant to this registration statement. The registrant is deferring payment of the registration fee pursuant to Rule 456(b) and is omitting this information in reliance on Rule 456(b) and Rule 457(r).

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**PROSPECTUS**

**Texas Instruments Incorporated**

The following are types of securities that may be offered and sold by Texas Instruments Incorporated or by selling security holders under this prospectus from time to time:

Common stock

Warrants

Preferred stock

Units

Debt securities

The securities may be offered by us or by selling security holders in amounts, at prices and on terms determined at the time of the offering. The securities may be sold directly to you, through agents, or through underwriters and dealers. If agents, underwriters or dealers are used to sell the securities, we will name them and describe their compensation in a prospectus supplement. You should read this prospectus and any prospectus supplement carefully before you invest.

We will describe in a prospectus supplement, which must accompany this prospectus, the securities we are offering and selling, as well as the specific terms of the securities. Those terms may include:

Maturity

Redemption terms

Liquidation amount

Interest rate

Listing on a security exchange

Subsidiary guarantees

Currency of payments

Amount payable at maturity

Sinking fund terms

Dividends

Conversion or exchange rights

Our common stock is quoted on The NASDAQ Global Select Market under the ticker symbol TXN. On February 23, 2016, the reported last sale price on The NASDAQ Global Select Market for our common stock was \$52.24.

**Investing in these securities involves certain risks. See [Item 1A Risk Factors](#) beginning on page 9 of our Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference herein.**

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

**The date of this prospectus is February 24, 2016**

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We are responsible for the information contained in or incorporated by reference into this prospectus and the applicable prospectus supplement 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 or the applicable prospectus supplement is accurate as of any date other than its date. The terms Texas Instruments, TI, we, us and our refer to Texas Instruments Incorporated and its consolidated subsidiaries except where expressly indicated or the context otherwise requires.

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**THE COMPANY**

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 30 countries.

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas 75243, and our telephone number is (214) 479-3773. We maintain a website at [www.ti.com](http://www.ti.com) where general information about us is available. We are not incorporating the contents of the website into this 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 (the SEC) incorporated by reference into this prospectus. For instructions on how to find copies of these and our other filings incorporated by reference into this prospectus, see Where You Can Find More Information.

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the SEC utilizing a shelf registration process. Under this shelf process, we or selling security holders may sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we or selling security holders may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information.



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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website at [www.sec.gov](http://www.sec.gov), from which interested persons can electronically access our SEC filings, including the registration statement of which this prospectus forms a part and the exhibits and schedules thereto.

The SEC allows us to incorporate by reference the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 24, 2016, and all documents subsequently filed with the SEC pursuant to Section 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) prior to the termination of the offering under this prospectus.

Any statements contained in a previously filed document incorporated by reference into this prospectus is deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, or in a subsequently filed document also incorporated by reference herein, modifies or supersedes that statement.

You may request a copy of these filings at no cost, by writing or telephoning us at: 12500 TI Boulevard, P.O. Box 660199, Dallas, Texas 75266-0199, Attention: Manager of Investor Relations, (214) 479-3773. Information about us, including our SEC filings, is also available at our website at [www.ti.com](http://www.ti.com). However, the information on or accessible through our website is not a part of this prospectus or any prospectus supplement that we file.

**NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus and documents that are incorporated by reference into this prospectus 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 we or our management believes, expects, anticipates, foresees, forecasts, estimates or other words or phrases of similar import. Similar statements herein that describe our 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 our company or our management:

Market demand for semiconductors, particularly in our end markets;

Our ability to compete in products and prices in an intensely competitive industry;

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 forecasts and the financial impact of inadequate or excess company inventory that results from demand that differs from projections;

Our ability to maintain or improve profit margins, including our ability to utilize our manufacturing facilities at sufficient levels to cover our fixed operating costs, in an intensely competitive and cyclical industry;

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Our ability to develop, manufacture and market innovative products in a rapidly changing technological environment;

Economic, social and political conditions in the countries in which we, our customers or our 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 we, our customers or our suppliers operate;

Breaches of our information technology systems or those of our customers or suppliers;

Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;

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;

Our ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties, expiration of license agreements between us and our patent licensees, and market conditions reducing royalty payments to us;

Compliance with or changes in the complex laws, rules and regulations to which we are 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;

Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to our products, manufacturing, services, design or communications, or recalls by our customers for a product containing one of our parts;

Changes in the tax rate applicable to us as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, adverse resolution of tax audits and the ability to realize deferred tax assets;

Financial difficulties of our distributors or their promotion of competing product lines to our detriment;

A loss suffered by one of our customers or distributors with respect to our consigned inventory;

Instability in the global credit and financial markets that affects our ability to fund our daily operations, invest in our business, make strategic acquisitions, repurchase outstanding shares of our common stock, or make principal and interest payments on our debt;

Increases in health care and pension benefit costs;

Our ability to recruit and retain skilled personnel;

Our 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

Impairments of our non-financial assets.

For a more detailed discussion of these factors, see our periodic filings with the SEC. The forward-looking statements included in this prospectus are made only as of the date hereof, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

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We intend to use the net proceeds from the sale of the securities for working capital and general corporate purposes including, but not limited to, funding our operations, purchasing capital equipment, funding potential acquisitions, repaying debt, paying dividends and repurchasing shares of our common stock. We may also invest the proceeds in certificates of deposit, United States government securities or certain other interest-bearing securities. If we decide to use the net proceeds from a particular offering of securities for a specific purpose, we will describe that in the related prospectus supplement.

**RATIOS OF EARNINGS TO FIXED CHARGES**

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

	<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Ratio of earnings to fixed charges	43.2x	37.2x	27.3x	20.6x	55.9x

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.

We have no preferred shares outstanding and have paid no preferred dividends to date; therefore, our ratios of earnings to combined fixed charges and preferred dividends are the same as our ratios of earnings to fixed charges.

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**DESCRIPTION OF CAPITAL STOCK**

The following description of our capital stock is based upon our restated certificate of incorporation, as amended ( Restated Certificate of Incorporation ), our by-laws, as amended ( By-Laws ), and applicable provisions of law. We have summarized certain portions of the Restated Certificate of Incorporation and By-Laws below. The summary is not complete. The Restated Certificate of Incorporation and By-Laws are incorporated by reference as exhibits to the registration statement of which this prospectus forms a part. You should read the Restated Certificate of Incorporation and By-Laws for the provisions that are important to you.

Certain provisions of the Delaware General Corporation Law ( DGCL ), the Restated Certificate of Incorporation and By-Laws summarized in the following paragraphs may have an anti-takeover effect. This may delay, defer or prevent a tender offer or takeover attempt that a stockholder might consider in its best interests, including those attempts that might result in a premium over the market price for the shares held by such stockholder.

**Authorized Capital Stock**

The Restated Certificate of Incorporation authorizes us to issue 2,400,000,000 shares of common stock, \$1.00 par value per share, and 10,000,000 shares of preferred stock, \$25.00 par value per share.

**Common Stock**

As of January 31, 2016, there were 1,008,975,790 shares of common stock outstanding which were held of record by 15,458 stockholders. We are authorized to issue additional shares of common stock without further stockholder approval, except as may be required by applicable law or stock exchange regulations. The holders of shares of our common stock, subject to the preferential rights of the holders of any shares of our preferred stock, are entitled to dividends when and as declared by our board of directors. The holders of our common stock have one vote per share on all matters submitted to a vote of the stockholders, and the right to share pro rata in the net assets of TI in liquidation after payment of any amounts due to creditors and in respect of any preferred stock. Holders of shares of our common stock are not entitled as a matter of right to any preemptive or subscription rights and are not entitled to cumulative voting for directors. All outstanding shares of common stock are, and the shares of common stock issued upon any conversion or exchange of any debt securities or preferred stock providing for such conversion or exchange will be, fully paid and nonassessable. Our common stock is listed on The NASDAQ Global Select Market. The transfer agent and registrar for our common stock is Computershare Trust Company, N.A., 2 North LaSalle Street, Chicago, Illinois 60602.

Our By-Laws provide that the annual meeting of stockholders shall be held on the third Thursday in April each year or on such other date as may be fixed by the our board of directors and as stated in a written notice, which must be mailed or delivered to each stockholder at least 10 days prior to any stockholder meeting.

**Preferred Stock**

As of January 31, 2016, there were no shares of our preferred stock outstanding. We are authorized to issue up to 10,000,000 shares of preferred stock, in one or more series, with such designations and such relative voting, dividend, liquidation, conversion, and other rights, preferences and limitations as are stated in the Restated Certificate of Incorporation, or any certificate of designation establishing such series adopted by our board of directors. The 10,000,000 authorized but unissued shares of preferred stock may be issued pursuant to resolution of our board of directors without the vote of the holders of our capital stock. If preferred stock is offered pursuant to this prospectus, we will describe the restrictions, if any, on the repurchase or redemption of the preferred stock by us in a prospectus

supplement.

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### **Certain Provisions of Texas Instruments Certificate of Incorporation and By-Laws**

Our Restated Certificate of Incorporation states that action may be taken by stockholders only at annual or special meetings of stockholders, and that stockholders may not act by written consent. The By-Laws vest the power to call special meetings of stockholders in our chairman of the board, our president, or a majority of our board of directors.

To be properly brought before an annual meeting of stockholders, any stockholder proposal or nomination for the board of directors must be delivered to or mailed and received at our principal executive offices not less than 90 days prior to the first anniversary of the previous year's annual meeting; provided 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 90<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of the meeting is first made.

### **Certain Anti-Takeover Effects of Delaware Law**

We are subject to Section 203 of the DGCL (Section 203). In general, Section 203 prohibits a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years following the date of the transactions in which the person became an interested stockholder, unless:

the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or subsequent to such date the business combination is approved by the board and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock which is not owned by the interested stockholder.

A business combination is defined to include mergers, asset sales, and other transactions resulting in financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to our company and, accordingly, may discourage attempts to acquire our company even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.



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**DESCRIPTION OF DEBT SECURITIES**

Our debt securities, consisting of notes, debentures or other evidences of indebtedness, may be issued from time to time in one or more series pursuant to an indenture entered into between us and U.S. Bank National Association, as trustee. The terms of our debt securities will include those set forth in the indenture and those made a part of the indenture by the Trust Indenture Act of 1939.

The following is only a summary of selected provisions of the indenture and the debt securities and therefore does not contain all information that may be important to you. This summary is qualified in its entirety by reference to the base indenture and any supplemental indenture thereto or officers' certificate or board resolution related thereto. We urge you to read the indenture because the indenture, not this description, defines the rights of the holders of the debt securities. The indenture is included as an exhibit to the registration statement of which this prospectus is a part.

As used in this section of the prospectus and under the captions "Description of Capital Stock," "Description of Warrants and Description of Units," the terms we, us and our refer only to Texas Instruments Incorporated and not to any existing or future subsidiaries of Texas Instruments Incorporated.

**General**

The debt securities will constitute unsecured and unsubordinated obligations of ours and will rank pari passu with our other unsecured and unsubordinated obligations.

We conduct some of our operations through subsidiaries. Consequently, our ability to pay our obligations, including our obligation to pay principal or interest on the debt securities, to pay the debt securities at maturity or upon redemption or to buy the debt securities may depend upon our subsidiaries repaying investments and advances we have made to them, and upon our subsidiaries' earnings and their distributing those earnings to us. The debt securities will be effectively subordinated to all obligations (including trade payables and preferred stock obligations) of our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the debt securities or to make funds available to us to do so. Our subsidiaries' ability to pay dividends or make other payments or advances to us will depend upon their operating results and will be subject to applicable laws and contractual restrictions. The indenture will not limit our subsidiaries' ability to enter into other agreements that prohibit or restrict dividends or other payments or advances to us.

The debt securities will be our unsecured obligations. Our secured debt and other secured obligations will be effectively senior to the debt securities to the extent of the value of the assets securing such debt or other obligations.

You should look in the prospectus supplement for any additional or different terms of the debt securities being offered, including the following terms:

the debt securities' designation;

the aggregate principal amount of the debt securities;

the percentage of their principal amount (i.e., price) at which the debt securities will be issued;

the date or dates on which the debt securities will mature and the right, if any, to extend such date or dates;

the rate or rates, if any, per year, at which the debt securities will bear interest, or the method of determining such rate or rates;

the date or dates from which such interest will accrue, the interest payment dates on which such interest will be payable or the manner of determination of such interest payment dates and the record dates for the determination of holders to whom interest is payable on any interest payment date;

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the right, if any, to extend the interest payment periods and the duration of that extension;

the manner of paying principal and interest and the place or places where principal and interest will be payable;

provisions for a sinking fund purchase or other analogous fund, if any;

the period or periods, if any, within which, the price or prices at which, and the terms and conditions upon which the debt securities may be redeemed, in whole or in part, at our option or at your option;

the form of the debt securities;

any provisions for payment of additional amounts for taxes and any provision for redemption, if we must pay such additional amounts in respect of any debt security;

the terms and conditions, if any, upon which we may have to repay the debt securities early at your option;

the currency, currencies or currency units for which you may purchase the debt securities and the currency, currencies or currency units in which principal and interest, if any, on the debt securities may be payable;

the terms and conditions, if any, pursuant to which the debt securities may be exchanged for the cash value of other securities issued by us or by a third party;

the initial conversion or exchange price or rate and any adjustments thereto, the period or periods within which, and the other terms and conditions upon which conversion or exchange of the debt securities may be effected;

whether and upon what terms the debt securities may be defeased;

any events of default or covenants in addition to or in lieu of those set forth in the indenture;

provisions for electronic issuance of debt securities or for debt securities in uncertificated form; and

any other terms of the debt securities, including any terms which may be required by or advisable under applicable laws or regulations or advisable in connection with the marketing of the debt securities.

We may from time to time, without notice to or the consent of the holders of any series of debt securities, create and issue further debt securities of any such series ranking equally with the debt securities of such series in all respects (or in all respects other than the payment of interest accruing prior to the issue date of such further debt securities or except for the first payment of interest following the issue date of such further debt securities). Such further debt securities may be consolidated and form a single series with the debt securities of such series and have the same terms as to status, redemption or otherwise as the debt securities of such series.

You may present debt securities for exchange and you may present debt securities for transfer in the manner, at the places and subject to the restrictions set forth in the debt securities and the applicable prospectus supplement. We will provide you those services without charge, although you may have to pay any tax or other governmental charge payable in connection with any exchange or transfer, as set forth in the indenture.

Debt securities will bear interest at a fixed rate or a floating rate. Debt securities bearing no interest or interest at a rate that at the time of issuance is below the prevailing market rate (original issue discount securities) may be sold at a discount below their stated principal amount. Special U.S. federal income tax considerations applicable to any such discounted debt securities or to certain debt securities issued at par which are treated as having been issued at a discount for U.S. federal income tax purposes will be described in the applicable prospectus supplement.

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We may issue debt securities with the principal amount payable on any principal payment date, or the amount of interest payable on any interest payment date, to be determined by reference to one or more currency exchange rates, securities or baskets of securities, commodity prices or indices. You may receive a payment of principal on any principal payment date, or a payment of interest on any interest payment date, that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value on such dates of the applicable currency, security or basket of securities, commodity or index. Information as to the methods for determining the amount of principal or interest payable on any date, the currencies, securities or baskets of securities, commodities or indices to which the amount payable on such date is linked and certain additional tax considerations will be set forth in the applicable prospectus supplement.

## **Certain Terms of the Debt Securities**

### ***Certain Covenants***

*Certain Definitions.* The term *attributable debt* in respect of a sale and leaseback transaction means, at the time of determination, the lesser of (1) the fair market value of the assets subject to such transaction, as determined by our board of directors, and (2) the present value (discounted at the interest rate implicit in the lease or, if it is not practicable to determine such rate, then at our incremental borrowing rate determined in accordance with generally accepted accounting principles) of the obligation of the lessee for net rental payments during the remaining term of any lease.

The term *consolidated net tangible assets* means, at any date, the total assets appearing on our most recent consolidated balance sheet, prepared in accordance with generally accepted accounting principles, less all current liabilities as shown on such balance sheet, and intangible assets.

The term *funded debt* means all debt whether incurred, assumed or guaranteed, including purchase money indebtedness, maturing by its terms more than one year from the date of creation thereof or which is renewable or extendable at the sole option of the obligor in such manner that it may become payable more than one year from the date of creation thereof.

The term *intangible assets* means the value (net of applicable reserves), as shown on or reflected in our most recent consolidated balance sheet, of (i) all trade names, trademarks, licenses, patents, copyrights and goodwill; (ii) organizational and development costs; (iii) deferred charges (other than prepaid items such as insurance, taxes, interest, commissions, rents and similar items and tangible assets being amortized); and (iv) unamortized debt discount and expenses, less unamortized premium; but in no event shall the term *intangible assets* include computer programs and related products.

The term *net rental payments* under any lease for any period shall mean the sum of rental and other payments required to be paid by such lessee thereunder, not including, however, amounts payable by the lessee for maintenance and repairs, insurance, taxes, assessments and similar charges and for contingent rents (such as those based on sales).

The term *principal manufacturing property* means each of our manufacturing or processing plants or facilities located in the United States of America (other than territories and possessions of the United States) or Puerto Rico, except any such manufacturing or processing plant or facility that the board of directors by resolution determines not to be of material importance to the total business conducted by us and our consolidated subsidiaries, taken as a whole.

*Restrictions on Liens.* The indenture provides that, unless as may otherwise be indicated by resolution of our board of directors, officers' certificate, or supplemental indenture, we will not issue or assume any debt for money borrowed

(which, including guarantees of debt for borrowed money, we refer to as "debt"), if the debt is secured by a mortgage, pledge, lien or other encumbrance (which we refer to as a "mortgage") upon any principal manufacturing property (whether such principal manufacturing property is now owned or subsequently

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acquired) without in any such case effectively providing that the debt securities (together with any other debt security ranking equally with the debt securities) shall be secured equally and ratably with the debt until such time as such debt is no longer secured by such mortgage. The foregoing restrictions shall not apply to:

mortgages existing as of the closing date of the offering of the relevant series of debt securities;

mortgages on property existing at the time of or within 120 days after acquisition of the property and certain purchase money mortgages;

mortgages on property of an entity existing at the time that entity is merged into or consolidated with us or substantially all the assets of which are acquired by us;

mortgages in favor of the United States or any political subdivision or any instrumentality thereof, or in favor of any other country or any political subdivision or instrumentality thereof, to secure certain payments pursuant to any contract or statute or to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price or the cost of construction of the property subject to the mortgages;

mortgages for taxes, assessments or other governmental charges not yet due or payable or subject to penalties for non-payment or which we are contesting in good faith by appropriate proceedings;

mortgages to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

mortgages imposed by law, such as carrier's, warehousemen's and mechanic's liens and other similar liens, in each case for sums not yet overdue by more than 30 calendar days or being contested in good faith by appropriate proceedings, or other liens arising out of judgments or awards against us with respect to which we shall then be proceeding with an appeal or other proceedings for review and liens arising solely by virtue of any statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; and

any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any mortgage referred to in the bullet points above.

*Restrictions on Sale and Leaseback Transactions.* The indenture provides that, unless as may otherwise be indicated by resolution of our board of directors, officers' certificate, or supplemental indenture, we will not enter into any lease longer than three years covering any principal manufacturing property that is sold to any person (other than any then-existing subsidiary) in connection with such lease unless the proceeds from such sale or transfer shall be at least equal to the fair value of such property as determined by resolution by our board of directors and either:

we would be entitled, pursuant to the Restrictions on Liens covenant described above, to incur debt secured by a mortgage on the principal manufacturing property involved in an amount at least equal to the attributable debt in respect of such principal manufacturing property without equally and ratably securing the debt securities, provided, that such attributable debt shall thereupon be deemed to be debt subject to the provisions of such restrictions on liens; or

within a period commencing twelve months prior to the consummation of the sale and leaseback transaction and ending twelve months after consummation of such transaction, we have expended or will expend for principal manufacturing property an amount equal to:

the proceeds of such sale and leaseback transaction and we elect to designate such amount as a credit against such transaction, or

a part of the proceeds of such sale and leaseback transaction and we elect to designate such amount as a credit against such transaction and treat an amount equal to the remainder of the proceeds as provided in the clause directly below; or



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such attributable debt (less any amount elected under the clause directly above) is applied within 120 days after the transaction to the retirement of funded debt, or is considered to be attributable debt for purposes of the calculation of exempted debt and, after giving effect to the exempted debt, the exempted debt does not exceed 15% of consolidated net tangible assets.

*Exempted Debt.* The indenture provides that, notwithstanding the restrictions on mortgages and sale and leaseback transactions described above, we may, in addition to amounts permitted under such restrictions, create, extend, renew or replace debt secured by mortgages, or enter into sale and leaseback transactions, which would otherwise be subject to the foregoing restrictions, without equally and ratably securing the debt securities and without any obligation to make expenditures for principal manufacturing property or to retire any debt, provided, that after giving effect thereto, the aggregate additional outstanding amount of such debt secured by mortgage plus attributable debt resulting from such sale and leaseback transactions ( exempted debt ) does not exceed 15% of consolidated net tangible assets.

*Consolidation, Merger and Sale or Conveyance.* We may not consolidate with, merge with or into, or sell, or convey (including by way of lease) all or substantially all of our assets to any person or permit any person to merge with or into us unless:

we are the continuing person or the person formed by such consolidation or into which we are merged or that acquired or leased our property and assets shall be a corporation or entity organized under the laws of the United States of America or any state thereof (or, any entity not organized under such laws which agrees, in a form satisfactory to the trustee, to submit to the jurisdiction of the United States district court for the Southern District of New York, and to indemnify and hold harmless the holders of the debt securities against certain taxes and expenses) and shall expressly assume, by a supplemental indenture, executed and delivered to the trustee, all of our obligations on all of the debt securities and under the indenture;

immediately after giving effect to such transaction, no default or event of default shall have occurred and be continuing; and

we deliver to the trustee an officers' certificate and opinion of counsel, in each case stating that such consolidation, merger, or conveyance and such supplemental indenture complies with this provision and that all conditions precedent provided for in the indenture and the debt securities relating to such transaction have been complied with.

The restrictions in the bullets above shall not be applicable to:

the merger or consolidation of us with an affiliate of ours if our board of directors determines in good faith that the purpose of such transaction is principally to change our state of incorporation or convert our form of organization to another form; or

the merger of us with or into a single direct or indirect wholly owned subsidiary of ours pursuant to Section 251(g) (or any successor provision) of the General Corporation Law of the State of Delaware.

If any consolidation or merger or any sale, assignment, conveyance, lease, transfer or other disposition of all or substantially all of our assets occurs in accordance with the indenture, the successor corporation will succeed to, and

be substituted for us and may exercise every right and power under the indenture with the same effect as if such successor corporation had been named in our place in the indenture, and we will (except in the case of a lease) be discharged from all obligations and covenants under the indenture and the debt securities.

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

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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 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 then outstanding;

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;

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

we:

commence a voluntary case under any applicable bankruptcy, insolvency, or other similar law now or hereafter in effect;

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 us for all or substantially all of our property; 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 debt securities of all series then outstanding 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

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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 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 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.

## ***Discharge and Defeasance***

The indenture provides that, unless the terms of any series of debt securities provide otherwise, we may discharge our obligations with respect to an issue of debt securities and the indenture with respect to such series of debt securities if:

we pay or cause to be paid, as and when due and payable, the principal of and any interest on all securities of such series outstanding under the indenture, and we also pay all other sums payable by us under the indenture; or

all debt securities of such series previously authenticated and delivered have been delivered to the trustee for cancellation, and we have paid all sums payable by us under the indenture; or

the debt securities of such series mature within one year or all of them are to be called for redemption within one year under arrangements satisfactory to the trustee for giving the notice of redemption, and we irrevocably deposit in trust with the trustee, as trust funds solely for the benefit of the holders of the debt securities of such series, for that purpose, the entire amount in cash or, in the case of any series of debt securities payments on which may only be made in U.S. dollars, U.S. government obligations,

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maturing as to principal and interest in such amounts and at such times as will insure the availability of cash sufficient to pay principal of and interest on the debt securities of such series to maturity or redemption, as the case may be, and to pay all other sums payable by us under the indenture.

With respect to the first and second bullet points, only our obligations to compensate and indemnify the trustee and our right to recover unclaimed money held by the trustee under the indenture shall survive. With respect to the third bullet point, certain additional rights and obligations under the indenture shall survive until such debt securities are no longer outstanding. Thereafter, only our obligations to compensate and indemnify the trustee and our right to recover unclaimed money held by the trustee shall survive.

Unless the terms of any series of debt securities provide otherwise, on the 121st day after the date of deposit of trust funds with the trustee, we will be deemed to have paid and will be discharged from any and all obligations in respect of the series of debt securities provided for in the funds, and the provisions of the indenture will no longer be in effect with respect to such debt securities ( legal defeasance ) except as to certain rights and obligations under the indenture; provided that the following conditions shall have been satisfied:

we have irrevocably deposited in trust with the trustee as trust funds solely for the benefit of the holders of the debt securities of such series, for payment of the principal of and interest on the debt securities of such series, cash in an amount or, in the case of any series of debt securities payments on which can only be made in U.S. dollars, U.S. government obligations (maturing as to principal and interest at such times and in such amounts as will insure the availability of cash) or a combination thereof sufficient (in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the trustee), after payment of all federal, state and local taxes or other charges and assessments in respect thereof payable by the trustee, to pay and discharge the principal of and accrued interest on the debt securities of such series to maturity or earlier redemption, as the case may be, and any mandatory sinking fund payments on the day on which such payments are due and payable in accordance with the terms of the indenture and the debt securities of such series;

such deposit will not result in a breach or violation of, or constitute a default under, the indenture or any other agreement or instrument to which we are a party or by which we are bound;

we shall have delivered to the trustee an officers certificate and an opinion of counsel to the effect that we have received from, or there has been published by, the Internal Revenue Service a ruling to the effect that the holders of the debt securities of such series will not recognize income, gain or loss for federal income tax purposes as a result of our exercising our option under this provision of the indenture and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred; and

we have delivered to the trustee an officers certificate and an opinion of counsel, in each case stating that all conditions precedent provided for in the indenture relating to the contemplated defeasance of the debt securities of such series have been complied with, and the opinion of counsel shall also state that such deposit does not violate applicable law.

Subsequent to the legal defeasance above, after such debt securities are no longer outstanding, only our obligations to compensate and indemnify the trustee and our right to recover unclaimed money held by the trustee shall survive.

***Modification and Waiver***

We and the trustee may amend or supplement the indenture or the debt securities without the consent of any holder:

to convey, mortgage or pledge any assets as security for the securities of one or more series;

to evidence the succession of another corporation to us, and the assumption by such successor corporation of our covenants, agreements and obligations under the indenture;



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to cure any ambiguity, defect, or inconsistency in the indenture or in any supplemental indenture or to conform the indenture or the debt securities to the description of debt securities of such series set forth in this prospectus or a prospectus supplement;

to comply with the provisions described under Certain Covenants Consolidation, Merger and Sale or Conveyance ;

to evidence and provide for the acceptance of appointment hereunder by a successor trustee, or to make such changes as shall be necessary to provide for or facilitate the administration of the trusts in the indenture by more than one trustee;

to establish the form or forms or terms of the debt securities as permitted by the indenture;

to make any change that is necessary or desirable provided that such change shall not adversely affect the interests of the holders of the debt securities of any series in any material respect;

to add to our covenants such new covenants, restrictions, conditions or provisions for the protection of the holders, and to make the occurrence, or the occurrence and continuance, of a default in any such additional covenants, restrictions, conditions or provisions an event of default; or

to make any change to the debt securities of any series so long as no debt securities of such series are outstanding.

Other amendments and modifications of the indenture or the debt securities issued may be made, and our compliance with any provision of the indenture with respect to any series of debt securities may be waived, with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of all series affected by the amendment or modification (voting as one class); provided, however, that each affected holder must consent to any modification, amendment or waiver that,

extends the stated maturity of the principal of, or the time of payment of any installment of interest on, any debt securities of such series;

reduces the principal amount of, or interest on, any debt securities of such series;

changes the place or currency of payment of principal of, or interest on, any debt securities of such series;

impairs the right of holders to institute suit for the enforcement of any payment of any debt securities of such series;

reduces the above-stated percentage of outstanding debt securities of such series the consent of whose holders is necessary to modify or amend or to waive certain provisions of or defaults under the indenture;

modifies any of the provisions of the preceding bullets, except to increase any required percentage or to provide that certain other provisions cannot be modified or waived without the consent of the holder of each debt security of such series affected by the modification; or

waives a default in respect of a covenant or provision which cannot be modified or amended without the consent of each affected holder.

It shall not be necessary for the consent of the holders under this section to approve the particular form of any proposed amendment, supplement, or waiver, but it shall be sufficient if such consent approves the substance thereof. After an amendment, supplement, or waiver under this section becomes effective, the trustee must give to the holders affected thereby certain notice briefly describing the amendment, supplement, or waiver. We will mail supplemental indentures to holders upon request. Any failure by the trustee to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture or waiver.

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### ***No Personal Liability of Incorporators, Stockholders, Officers, Directors***

The indenture provides that no recourse shall be had under or upon any obligation, covenant, or agreement of ours in the indenture or any supplemental indenture, or in any of the debt securities or because of any indebtedness represented thereby, against any incorporator, stockholder, officer or director of ours or of any successor person thereof under any law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise. Each holder, by accepting the debt securities, waives and releases all such liability.

### ***Concerning the Trustee***

The indenture provides that, except during the continuance of a default, the trustee will not be liable, except for the performance of such duties as are specifically set forth in the indenture. If an event of default has occurred and is continuing, the trustee will exercise such rights and powers vested in it under the indenture and will use the same degree of care and skill in its exercise as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

### ***Governing Law***

The indenture and the debt securities will be governed by, and construed in accordance with, the internal laws of the State of New York.

### ***The Trustee***

We may have normal banking relationships with the trustee under the indenture in the ordinary course of business.

## **DESCRIPTION OF WARRANTS**

We may issue warrants to purchase our debt or equity securities or securities of third parties or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing. Warrants may be issued independently or together with any other securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. The terms of any warrants to be issued and a description of the material provisions of the applicable warrant agreement will be set forth in the applicable prospectus supplement.

## **DESCRIPTION OF UNITS**

As specified in the applicable prospectus supplement, we may issue units consisting of one or more warrants, debt securities, shares of preferred stock, shares of common stock or any combination of such securities.

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**FORMS OF SECURITIES**

Each debt security, warrant, and unit will be represented either by a certificate issued in definitive form to a particular investor or by one or more global securities representing the entire issuance of securities. Certificated securities in definitive form and global securities will be issued in registered form. Definitive securities name you or your nominee as the owner of the security, and in order to transfer or exchange these securities or to receive payments other than interest or other interim payments, you or your nominee must physically deliver the securities to the trustee, registrar, paying agent or other agent, as applicable. Global securities name a depositary or its nominee as the owner of the debt securities, warrants or units represented by these global securities. The depositary maintains a computerized system that will reflect each investor's beneficial ownership of the securities through an account maintained by the investor with its broker/dealer, bank, trust company or other representative, as we explain more fully below.

**Global Securities**

*Registered Global Securities.* We may issue the registered debt securities, warrants and units in the form of one or more fully registered global securities that will be deposited with a depositary or its nominee identified in the applicable prospectus supplement and registered in the name of that depositary or nominee. In those cases, one or more registered global securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal or face amount of the securities to be represented by registered global securities. Unless and until it is exchanged in whole for securities in definitive registered form, a registered global security may not be transferred except as a whole by and among the depositary for the registered global security, the nominees of the depositary or any successors of the depositary or those nominees.

If not described below, any specific terms of the depositary arrangement with respect to any securities to be represented by a registered global security will be described in the prospectus supplement relating to those securities. We anticipate that the following provisions will apply to all depositary arrangements.

Ownership of beneficial interests in a registered global security will be limited to persons, called participants, that have accounts with the depositary or persons that may hold interests through participants. Upon the issuance of a registered global security, the depositary will credit, on its book-entry registration and transfer system, the participants accounts with the respective principal or face amounts of the securities beneficially owned by the participants. Any dealers, underwriters or agents participating in the distribution of the securities will designate the accounts to be credited. Ownership of beneficial interests in a registered global security 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 security, that depositary or its nominee, as the case may be, will be considered the sole owner or holder of the securities represented by the registered global security for all purposes under the applicable indenture, warrant agreement or unit agreement. Except as described below, owners of beneficial interests in a registered global security will not be entitled to have the securities represented by the registered global security registered in their names, will not receive or be entitled to receive physical delivery of the securities in definitive form and will not be considered the owners or holders of the securities under the applicable indenture, warrant agreement or unit agreement. Accordingly, each person owning a beneficial interest in a registered global security must rely on the procedures of the depositary for that registered global security 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 applicable indenture, warrant agreement or unit agreement. We understand that under existing industry practices, if we request any action of holders or if an owner of a beneficial interest in a registered global security desires to give or take any action that a holder is entitled to give or take under the applicable

indenture, warrant

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agreement or unit agreement, the depositary for the registered global security would authorize the participants holding the relevant beneficial interests to give or take that action, and the participants would authorize beneficial owners owning through them to give or take that action or would otherwise act upon the instructions of beneficial owners holding through them.

Principal, premium, if any, and interest payments on debt securities, and any payments to holders with respect to warrants or units, represented by a registered global security registered in the name of a depositary or its nominee will be made to the depositary or its nominee, as the case may be, as the registered owner of the registered global security. None of Texas Instruments, the trustee, any warrant agent, unit agent or any other agent of Texas Instruments, agent of the trustee or agent of such warrant agent or unit agent 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 security or for maintaining, supervising or reviewing any records relating to those beneficial ownership interests.

We expect that the depositary for any of the securities represented by a registered global security, upon receipt of any payment of principal, premium, interest or other distribution of underlying securities or other property to holders on that registered global security, will immediately credit participants' accounts in amounts proportionate to their respective beneficial interests in that registered global security as shown on the records of the depositary. We also expect that payments by participants to owners of beneficial interests in a registered global security 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.

If the depositary for any of these securities represented by a registered global security 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 us within 90 days, we will issue securities in definitive form in exchange for the registered global security that had been held by the depositary. Any securities issued in definitive form in exchange for a registered global security will be registered in the name or names that the depositary gives to the relevant trustee, warrant agent, unit agent or other relevant agent of ours or theirs. 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 security that had been held by the depositary.

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**PLAN OF DISTRIBUTION**

We or selling security holders may sell the securities being offered hereby in the following manner or any manner specified in a prospectus supplement:

directly to purchasers;

through agents;

through underwriters; and

through dealers.

If any securities are sold pursuant to this prospectus by any persons other than us, we will, in a prospectus supplement, name the selling security holders, indicate the nature of any relationship such holders have had to us or any of our affiliates during the three years preceding such offering, state the amount of securities of the class owned by such security holder prior to the offering and the amount to be offered for the security holder's account, and state the amount and (if one percent or more) the percentage of the class to be owned by such security holder after completion of the offering.

We or any selling security holder may directly solicit offers to purchase securities, or agents may be designated to solicit such offers. We will, in the prospectus supplement relating to such offering, name any agent that could be viewed as an underwriter under the Securities Act of 1933, as amended (the "Securities Act") and describe any commissions that we or any selling security holder must pay. Any such agent will be acting on a best efforts basis for the period of its appointment or, if indicated in the applicable prospectus supplement, on a firm commitment basis. Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for us in the ordinary course of business.

If any underwriters or agents are utilized in the sale of the securities in respect of which this prospectus is delivered, we and, if applicable, any selling security holder will enter into an underwriting agreement or other agreement with them at the time of sale to them, and we will set forth in the prospectus supplement relating to such offering the names of the underwriters or agents and the terms of the related agreement with them.

If a dealer is utilized in the sale of the securities in respect of which the prospectus is delivered, we will sell such securities to the dealer, as principal. The dealer may then resell such securities to the public at varying prices to be determined by such dealer at the time of resale.

Remarketing firms, agents, underwriters and dealers may be entitled under agreements which they may enter into with us to indemnification by us and by any selling security holder against certain civil liabilities, including liabilities under the Securities Act, and may be customers of, engage in transactions with or perform services for us in the ordinary course of business.

In order to facilitate the offering of the securities, any underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the securities or any other securities the prices of which may be used to determine

payments on such securities. Specifically, any underwriters may overallocate in connection with the offering, creating a short position for their own accounts. In addition, to cover overallocations or to stabilize the price of the securities or of any such other securities, the underwriters may bid for, and purchase, the securities or any such other securities in the open market. Finally, in any offering of the securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allowed to an underwriter or a dealer for distributing the securities in the offering if the syndicate repurchases previously distributed securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the securities above independent market levels. Any such underwriters are not required to engage in these activities and may end any of these activities at any time.

Any underwriter, agent or dealer utilized in the initial offering of securities will not confirm sales to accounts over which it exercises discretionary authority without the prior specific written approval of its customer.



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**VALIDITY OF SECURITIES**

The validity of the securities in respect of which this prospectus is being delivered will be passed on for us by Davis Polk & Wardwell LLP.

**EXPERTS**

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, and the effectiveness of our internal control over financial reporting as of December 31, 2015, as set forth in their reports, which are incorporated by reference into this prospectus and elsewhere in the registration statement. Our financial statements and our management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2015, are incorporated by reference in reliance on Ernst & Young LLP's reports, given on their authority as experts in accounting and auditing.

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 14. *Other Expenses of Issuance and Distribution***

The following table sets forth the estimated costs and expenses payable by the Registrant in connection with the sale of the securities being registered hereby.

	<b>Amount to be Paid</b>	
Registration fee	\$	*
Printing		**
Legal fees and expenses (including Blue Sky fees)		**
Rating agency fees		**
Accounting fees and expenses		**
Miscellaneous		**
<b>TOTAL</b>	<b>\$</b>	<b>**</b>

\* Omitted because the registration fee is being deferred pursuant to Rule 456(b).

\*\* These fees and expenses depend on the securities offered and the number of issuances, and accordingly cannot be estimated at this time.

**Item 15. *Indemnification of Directors and Officers***

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to the Registrant. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise. Article VI, Section II of the Registrant's By-Laws provides for indemnification by the Registrant of its directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions, or (iv) for any transaction from which the director derived an improper personal benefit. Article Seventh of the Restated Certificate of Incorporation provides that a director 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.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act, and (b) to the Registrant with respect to payments which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

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### **Item 16. Exhibits and Financial Statement Schedules**

(a) The following exhibits are filed as part of this Registration Statement:

<b>Exhibit No.</b>	<b>Document</b>
1.1	Form of Underwriting Agreement
3.1	Restated Certificate of Incorporation of the Registrant, dated April 18, 1985, as amended (incorporated by reference to Exhibit 3(a) of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014)
3.2	By-Laws of the Registrant (incorporated by reference to Exhibit 3(b) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2014)
4.1	Specimen Common Stock Certificate*
4.2	Specimen Preferred Stock Certificate*
4.3	Indenture dated as of May 23, 2011 between Texas Instruments Incorporated, a Delaware corporation, as Issuer and U.S. Bank National Association, a National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Registrant's Current Report on Form 8-K filed May 23, 2011)
4.4	Form of Note (included in Exhibit 4.3)
4.5	Form of Warrant Agreement*
4.6	Form of Unit Agreement*
5.1	Opinion of Davis Polk & Wardwell LLP
12.1	Statement regarding computation of Consolidated Ratio of Earnings to Fixed Charges (incorporated by reference to Exhibit 12 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2015)
23.1	Consent of Ernst & Young LLP
23.2	Consent of Davis Polk & Wardwell LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on the signature page of the Registration Statement)
25.1	Statement of Eligibility on Form T-1 of U.S. Bank National Association

\* To be filed by amendment.

### **Item 17. Undertakings**

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made of securities registered hereby, a post-effective amendment to this registration statement:

- (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;
- (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the

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aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

*provided, however*, that paragraphs (i), (ii) and (iii) above do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in this registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

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(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

- (b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions, or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.



**Table of Contents****SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, as of February 24, 2016.

**TEXAS INSTRUMENTS INCORPORATED**

By: /s/ Kevin P. March  
Kevin P. March

Senior Vice President, Chief Accounting  
Officer and Chief Financial Officer

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Richard K. Templeton, Kevin P. March and Cynthia Hoff Trochu, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or either of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and as of the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Richard K. Templeton Richard K. Templeton	Chairman of the Board, Director, President and Chief Executive Officer	February 24, 2016
/s/ Kevin P. March Kevin P. March	Senior Vice President, Chief Accounting Officer and Chief Financial Officer	February 24, 2016
/s/ Ralph W. Babb, Jr. Ralph W. Babb, Jr.	Director	February 24, 2016
/s/ Mark A. Blinn Mark A. Blinn	Director	February 24, 2016
/s/ Daniel A. Carp Daniel A. Carp	Director	February 24, 2016
/s/ Janet F. Clark Janet F. Clark	Director	February 24, 2016
/s/ Carrie S. Cox	Director	February 24, 2016

Carrie S. Cox

/s/ Ronald Kirk  
Ronald Kirk

Director

February 24, 2016

/s/ Pamela H. Patsley  
Pamela H. Patsley

Director

February 24, 2016

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<b>Signature</b>	<b>Title</b>	<b>Date</b>
/s/ Robert E. Sanchez Robert E. Sanchez	Director	February 24, 2016
/s/ Wayne R. Sanders Wayne R. Sanders	Director	February 24, 2016
/s/ Ruth J. Simmons Ruth J. Simmons	Director	February 24, 2016
/s/ Christine Todd Whitman Christine Todd Whitman	Director	February 24, 2016

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**EXHIBIT INDEX**

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\* To be filed by amendment.

**Common stock repurchases (690,100 shares)**

	(8,740,277
)	
	(12,538,600
)	
	-
	(21,278,877
)	

**Issuance of restricted common stock under stock option plan (8,000 shares)**

	726,624
	-
	-
	726,624

**Stock option expense**

	1,913,202
	-
	-
	1,913,202

**Cummulative effect of FIN 48**

	-
	(550,000
)	
	-
	(550,000
)	

**Other comprehensive loss**

	-
	-

	(16,169
)	
	(16,169
)	
	(16,169
)	
<b>Net income</b>	
	-
	21,316,385
	-
	21,316,385
	21,316,385
<b>Total comprehensive income</b>	
	-
	-
	-
	-
	21,300,216
<b>Balances at September 30, 2007</b>	
\$	
	564,437
	217,997,593
	(63,995
)	
	218,498,035

See accompanying notes to consolidated financial statements.

**WORLD ACCEPTANCE CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)**

	Six months ended September 30,	
	2007	2006
<b>Cash flows from operating activities:</b>		
Net income	\$ 21,316,385	19,847,505
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	32,632,241	24,980,247
Amortization of intangible assets	1,252,994	1,535,917
Amortization of loan costs and discounts	381,631	-
Depreciation	1,712,033	1,362,359
Compensation related to stock option and restricted stock plans	2,639,826	1,426,213
Change in accounts:		
Deferred tax assets	(640,510)	(72,908)
Other assets, net	(58,459)	(1,766,609)
Accounts payable and accrued expenses	(3,394,656)	(1,803,671)
Income taxes payable	(11,460,440)	(5,723,298)
<b>Net cash provided by operating activities</b>	<b>44,381,045</b>	<b>39,785,755</b>
<b>Cash flows from investing activities:</b>		
Increase in loans, net	(70,924,054)	(56,032,684)
Tangible assets acquired from office acquisitions, primarily loans	(2,036,162)	(2,344,103)
Purchases of premises and equipment	(4,216,015)	(3,382,089)
Purchases of intangible assets in office acquisitions	(1,393,050)	(539,037)
<b>Net cash used in investing activities</b>	<b>(78,569,281)</b>	<b>(62,297,913)</b>
<b>Cash flows from financing activities:</b>		
Net change in bank overdraft	457,337	118,354
Proceeds from senior notes payable, net	54,400,000	22,800,000
Repayments of other notes payable	(200,000)	(200,000)
Repurchases of common stock	(21,278,877)	(1,922,816)
Proceeds from exercise of stock options	550,675	2,409,078
Excess tax benefit from exercise of stock options	343,548	1,874,756
<b>Net cash provided by financing activities</b>	<b>34,272,683</b>	<b>25,079,372</b>
<b>Increase in cash and cash equivalents</b>	<b>84,447</b>	<b>2,567,214</b>
<b>Cash and cash equivalents beginning of period</b>	<b>5,779,032</b>	<b>4,033,888</b>
<b>Cash and cash equivalents end of period</b>	<b>\$ 5,863,479</b>	<b>6,601,102</b>

Supplemental disclosure of cash flow information:

Cash paid for interest	\$	4,802,917	4,174,355
Cash paid for income taxes		24,800,092	15,826,119

See accompanying notes to consolidated financial statements.



**WORLD ACCEPTANCE CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**September 30, 2007 and 2006**  
**(Unaudited)**

**NOTE 1 - BASIS OF PRESENTATION**

The consolidated financial statements of the Company at September 30, 2007, and for the three and six months then ended, were prepared in accordance with the instructions for Form 10-Q and are unaudited; however, in the opinion of management, all adjustments (consisting only of items of a normal recurring nature) necessary for a fair presentation of the financial position at September 30, 2007, and the results of operations and cash flows for the period then ended, have been included. The results for the period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Certain reclassification entries have been made for fiscal 2007 to conform with fiscal 2008 presentation. These reclassifications had no impact on shareholders' equity and comprehensive income or net income.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These consolidated financial statements do not include all disclosures required by U.S. generally accepted accounting principles and should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended March 31, 2007, included in the Company's 2007 Annual Report to Shareholders.

**NOTE 2 – COMPREHENSIVE INCOME (LOSS)**

The Company applies the provisions of Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 130 "*Reporting Comprehensive Income*." The following summarizes accumulated other comprehensive income (loss) as of September 30, 2007:

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	7,215	(116,353)	(47,826)	(50,092)
Unrealized income (loss) from foreign exchange translation adjustment	\$ (71,210)	21,070	(16,169)	(45,191)
Balance at end of period	\$ (63,995)	(95,283)	(63,995)	(95,283)

**NOTE 3 - ALLOWANCE FOR LOAN LOSSES**

The following is a summary of the changes in the allowance for loan losses for the periods indicated:

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
Balance at beginning of period	\$ 29,682,281	24,604,838	27,840,236	22,717,192
Provision for loan losses	18,415,731	13,812,779	32,632,241	24,980,247
Loan losses	(17,373,269)	(13,255,540)	(31,356,137)	(23,944,336)
Recoveries	1,534,591	1,302,812	3,095,394	2,676,242
Allowance on acquired loans	9,380	83,903	56,980	119,447
Balance at end of period	\$ 32,268,714	26,548,792	32,268,714	26,548,792

Effective April 1, 2005, the Company adopted Statement of Position No. 03-3 ("SOP 03-3"), "*Accounting for Certain Loans or Debt Securities Acquired in a Transfer*," which prohibits carry over or creation of valuation allowances in the initial accounting of all loans acquired in a transfer that are within the scope of this SOP. Management believes that a loan has shown deterioration if it is over 60 days delinquent. The Company believes that loans acquired since the adoption of SOP 03-3 have not shown evidence of deterioration of credit quality since origination, and therefore, are not within the scope of SOP 03-3 because the Company did not pay consideration for, or record, acquired loans over 60 days delinquent. Loans acquired that are more than 60 days past due are included in the scope of SOP 03-3 and therefore, subsequent refinances or restructures of these loans would not be accounted for as a new loan.

For the quarters ended September 30, 2007 and 2006, the Company recorded adjustments of approximately \$9,000 and \$84,000, respectively, to the allowance for loan losses in connection with acquisitions in accordance generally accepted accounting principles. These adjustments were approximately \$57,000 and \$119,000 for the six-months ended September 30, 2007 and 2006, respectively. These adjustments represent the allowance for loan losses on acquired loans which do not meet the scope of SOP 03-3.

#### NOTE 4 – AVERAGE SHARE INFORMATION

The following is a summary of the basic and diluted average common shares outstanding:

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
<b>Basic:</b>				
Weighted average common shares outstanding (denominator)	17,199,072	18,514,433	17,354,650	18,468,387
<b>Diluted:</b>				
Weighted average common shares outstanding	17,199,072	18,514,433	17,354,650	18,468,387
Dilutive potential common shares	324,297	369,661	373,286	371,591
Weighted average diluted shares outstanding (denominator)	17,523,369	18,884,094	17,727,936	18,839,978

Options to purchase 106,451 and 0 shares of common stock at various prices were outstanding during the periods ended September 30, 2007 and 2006, respectively, but were not included in the computation of diluted EPS because the option price was greater than the average market price of the common shares. The shares related to the convertible senior notes payable (1,762,519) and related warrants were not included in the computation of diluted EPS because the effects of such instruments were anti-dilutive during the period ended September 30, 2007.

#### NOTE 5 – STOCK-BASED COMPENSATION

##### *Stock Option Plans*

The Company has a 1992 Stock Option Plan, a 1994 Stock Option Plan, a 2002 Stock Option Plan and a 2005 Stock Option Plan for the benefit of certain directors, officers, and key employees. Under these plans, 5,350,000 shares of authorized common stock have been reserved for issuance pursuant to grants approved by the Compensation and Stock Option Committee of the Board of Directors. Stock options granted under these plans have a maximum duration of 10 years, may be subject to certain vesting requirements, which are generally one year for directors and five years for officers and key employees, and are priced at the market value of the Company's common stock on the date of grant of the option. At September 30, 2007, there were 527,350 shares available for grant under the plans.

Effective April 1, 2006, the Company adopted SFAS No. 123 (Revised 2004), "Share-Based Payment" SFAS 123-R, using the modified prospective transition method, and did not retroactively adjust results from prior periods. Under this transition method, stock option compensation is recognized as an expense over the remaining unvested portion of all stock option awards granted prior to April 1, 2006, based on the fair values estimated at grant date in accordance with the original provisions of SFAS 123. The Company has applied the Black-Sholes valuation model in determining the fair value of the stock option awards. Compensation expense is recognized only for those options expected to vest,

with forfeitures estimated based on historical experience and future expectations.

Option activity for the six months ended September 30, 2007, was as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregated Intrinsic Value
Options outstanding, beginning of year	1,139,949	\$ 23.41		
Granted	7,000	\$ 43.00		
Exercised	(39,650)	\$ 13.89		
Forfeited	(1,100)	\$ 5.41		
Options outstanding, end of period	1,106,199	\$ 23.90	6.56	\$ 13,663,660
Options exercisable, end of period	467,249	\$ 12.40	4.42	\$ 9,663,950

The aggregate intrinsic value reflected in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price on September 30, 2007 and the exercise price, multiplied by the number of in-the-money options) that would have been received by option holders had all option holders exercised their options as of September 30, 2007. This amount will change as the stock's market price changes. The total intrinsic value of options exercised during the period ended September 30, 2007 and 2006 was as follows:

	2007	2006
Three month ended	\$ 571,300	871,350
Six months ended	\$ 1,045,361	5,482,864

As of September 30, 2007, total unrecognized stock-based compensation expense related to non-vested stock options amounted to approximately \$4.9 million, which is expected to be recognized over a weighted-average period of approximately 2 years.

The weighted-average fair value at the grant date for options issued during the six months ended September 30, 2007 and 2006 were \$22.35 and \$13.45 per share, respectively. This fair value was estimated at grant date using the following weighted-average assumptions:

	2007	2006
Dividend yield	\$ -	-
Expected volatility	42.90%	44.31%
Average interest rate	4.78%	3.88%
	6.89	
Expected life	years	7.5 years

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after their grant date. The risk-free interest rate reflects the interest rate at grant date on zero-coupon U.S. governmental bonds that have a remaining life similar to the expected option term.

### ***Restricted Stock***

On April 30, 2007, the Company granted 8,000 shares of restricted stock (which are equity classified), with a grant date fair value of \$42.93 per share, to its independent directors. One-half of the restricted stock vested immediately and the other half will vest on the first anniversary of grant.

Compensation expense related to restricted stock is based on the number of shares expected to vest and the fair market value of the common stock on the grant date. The Company recognized \$300,004 and \$726,624 of compensation expense for the quarter and six months ended September 30, 2007, respectively, and \$28,959 and \$164,107 of compensation expense for the quarter and six months September 30, 2006, respectively, related to restricted stock, which is included as a component of general and administrative expenses in the Consolidated Statements of Operations. All shares are expected to vest.

As of September 30, 2007, there was approximately \$492,954 of unrecognized compensation cost related to unvested restricted stock awards granted, which is expected to be recognized over the next two years.

A summary of the status of the Company's restricted stock as of September 30, 2007, and changes during the six months ended September 30, 2007, is presented below:

Number of

	Shares	Weighted Average Fair Value at Grant Date
Outstanding at March 31, 2007	29,442	43.87
Granted during the period	8,000	42.93
Vested during the period	(8,000)	35.95
Cancelled during the period	-	-
Outstanding at September 30, 2007	29,442	\$ 45.76

Total share-based compensation included as a component of net income during the quarters and six months ended September 30, were as follows:

	Three months ended		Six months ended	
	2007	2006	2007	2006
Share-based compensation related to equity classified units:				
Share-based compensation related to stock options	\$ 989,787	697,908	\$ 1,913,202	1,262,106
Share-based compensation related to restricted stock units	300,004	28,959	726,624	164,107
Total share-based compensation related to equity classified awards	\$ 1,289,791	726,867	2,639,826	1,426,213

#### NOTE 6 – ACQUISITIONS

The following table sets forth the acquisition activity of the Company for the six months ended September 30, 2007 and 2006:

	2007	2006
Number of offices purchased	17	9
Merged into existing offices	5	4
Purchase Price	\$ 3,429,239	2,883,140
Tangible assets:		
Net loans	1,906,348	2,330,603
Furniture, fixtures & equipment	123,000	13,500
Other	6,841	-
Excess of purchase prices over carrying value of net tangible assets	\$ 1,393,050	\$ 539,037
Customer lists	1,016,715	254,904
Non-compete agreements	83,000	41,000
Goodwill	293,335	243,133
Total intangible assets	\$ 1,393,050	\$ 539,037

The Company evaluates each acquisition to determine if the acquired enterprise meets the definition of a business. Those acquired enterprises that meet the definition of a business are accounted for as a business combination under SFAS No. 141 and all other acquisitions are accounted for as asset purchases. All acquisitions have been with independent third parties.

When the acquisition results in a new office, the Company records the transaction as a business combination, since the office acquired will continue to generate loans. The Company typically retains the existing employees and the office location. The purchase price is allocated to the estimated fair value of the tangible assets acquired and to the estimated fair value of the identified intangible assets acquired (generally non-compete agreements and customer lists). The remainder is allocated to goodwill. During the six months ended September 30, 2007, 12 acquisitions were recorded

as business combinations.

When the acquisition is of a portfolio of loans only, the Company records the transaction as an asset purchase. In an asset purchase, no goodwill is recorded. The purchase price is allocated to the estimated fair value of the tangible and intangible assets acquired. During the six months ended September 30, 2007, five acquisitions were recorded as asset acquisitions.

The Company's acquisitions include tangible assets (generally loans and furniture and equipment) and intangible assets (generally non-compete agreements, customer lists, and goodwill), both of which are recorded at their fair values, which are estimated pursuant to the processes described below.

Acquired loans are valued at the net loan balance. Given the short-term nature of these loans, generally four months, and that these loans are subject to continual repricing at current rates, management believes the net loan balances approximate their fair value.

Furniture and equipment are valued at the specific purchase price as agreed to by both parties at the time of acquisition, which management believes approximates their fair values.



Non-compete agreements are valued at the stated amount paid to the other party for these agreements, which the Company believes approximates the fair value. The fair value of the customer lists is based on a valuation model that utilizes the Company's historical data to estimate the value of any acquired customer lists. In a business combination the remaining excess of the purchase price over the fair value of the tangible assets, customer list, and non-compete agreements is allocated to goodwill. The offices the Company acquires are small, privately owned offices, which do not have sufficient historical data to determine attrition. The Company believes that the customers acquired have the same characteristics and perform similarly to its customers. Therefore, the Company utilized the attrition patterns of its customers when developing the method. This method is re-evaluated periodically.

Customer lists are allocated at an office level and are evaluated for impairment at an office level when a triggering event occurs, in accordance with SFAS 144. If a triggering event occurs, the impairment loss to the customer list is generally the remaining unamortized customer list balance. In most acquisitions, the original fair value of the customer list allocated to an office is generally less than \$100,000, and management believes that in the event a triggering event were to occur, the impairment loss to an unamortized customer list would be immaterial.

The results of all acquisitions have been included in the Company's consolidated financial statements since the respective acquisition dates. The pro forma impact of these purchases as though they had been acquired at the beginning of the periods presented would not have a material effect on the results of operations as reported.

#### NOTE 7 – NOTES PAYABLE

Summaries of the Company's notes payable follow:

##### ***Senior Notes Payable***

##### ***\$187,000,000 Revolving Credit Facility***

This facility, as amended effective August 31, 2007, provides for borrowings of up to \$187.0 million, with \$115.0 million outstanding at September 30, 2007, subject to a borrowing base formula. An additional \$30 million is available as a seasonal revolving credit commitment from November 15 of each year through March 31 of the immediately succeeding year to cover the increase in loan demand during this period. The Company may borrow, at its option, at the rate of prime or LIBOR plus 1.80%. At September 30, 2007, the Company's interest rate was 7.75% and the unused amount available under the revolver was \$72.0 million. The revolving credit facility has a commitment fee of 0.375% per annum on the unused portion of the commitment. Borrowings under the revolving credit facility mature on September 30, 2009.

Substantially all of the Company's assets are pledged as collateral for borrowings under the revolving credit agreement.

##### ***Convertible Senior Notes***

On October 10, 2006, the Company issued \$110 million aggregate principal amount of its 3.0% convertible senior subordinated notes due October 1, 2011 (the "Convertible Notes") to qualified institutional brokers in accordance with Rule 144A of the Securities Act of 1933. Interest on the Convertible Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing April 1, 2007. The Convertible Notes are the Company's direct, senior subordinated, unsecured obligations and rank equally in right of payment with all existing and future unsecured senior subordinated debt of the Company, senior in right of payment to all of the Company's existing and future subordinated debt and junior to all of the Company's existing and future senior debt. The Convertible Notes are structurally junior to the liabilities of the Company's subsidiaries. The Convertible Notes are convertible prior to maturity, subject to certain conditions described below, at an initial conversion rate of 16.0229 shares per \$1,000

principal amount of notes, which represents an initial conversion price of approximately \$62.41 per share, subject to adjustment. Upon conversion, the Company will pay cash up to the principal amount of notes converted and deliver shares of its common stock to the extent the daily conversion value exceeds the proportionate principal amount based on a 30 trading-day observation period.

Holders may convert the Convertible Notes prior to July 1, 2011 only if one or more of the following conditions are satisfied:

• During any fiscal quarter commencing after December 31, 2006, if the last reported sale price of the common stock for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter is greater than or equal to 120% of the applicable conversion price on such last trading day;

• During the five business day period after any ten consecutive trading day period in which the trading price per note for each day of such ten consecutive trading day period was less than 98% of the product of the last reported sale price of the Company's common stock and the applicable conversion rate on each such day; or

• The occurrence of specified corporate transactions.

If the Convertible Notes are converted in connection with certain fundamental changes that occur prior to October 1, 2011, the Company may be obligated to pay an additional make-whole premium with respect to the Convertible Notes converted. If the Company undergoes certain fundamental changes, holders of Convertible Notes may require the Company to purchase the Convertible Notes at a price equal to 100% of the principal amount of the Convertible Notes purchased plus accrued interest to, but excluding, the purchase date.

Holders may also surrender their Convertible Notes for conversion anytime on or after July 1, 2011 until the close of business on the third business day immediately preceding the maturity date, regardless of whether any of the foregoing conditions have been satisfied.

The contingent conversion feature was not required to be bifurcated and accounted for separately under the provisions of FAS 133 "Accounting for Derivative Instruments and Hedging Activities."

The aggregate underwriting commissions and other debt issuance costs incurred with respect to the issuance of the Convertible Notes were approximately \$3.6 million and are being amortized over the period the convertible senior notes are outstanding.

#### *Convertible Notes Hedge Strategy*

Concurrent and in connection with the sale of the Convertible Notes, the Company purchased call options to purchase shares of the Company's common stock equal to the conversion rate as of the date the options are exercised for the Convertible Notes, at a price of \$62.41 per share. The cost of the call options totaled \$24.6 million. The Company also sold warrants to the same counterparties to purchase from the Company an aggregate of 1,762,519 shares of the Company's common stock at a price of \$73.97 per share and received net proceeds from the sale of increasing these warrants of \$16.2 million. Taken together, the call option and warrant agreements increased the effective conversion price of the Convertible Notes to \$73.97 per share. The call options and warrants must be settled in net shares. On the date of settlement, if the market price per share of the Company's common stock is above \$73.97 per share, the Company will be required to deliver shares of its common stock representing the value of the call options and warrants in excess of \$73.97 per share.

The warrants have a strike price of \$73.97 and are generally exercisable at anytime. The Company issued and sold the warrants in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, by virtue of section 4(2) thereof. There were no underwriting commissions or discounts in connection with the sale of the warrants.

In accordance with EITF. No. 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, the Company's Own Stock", the Company accounted for the call options and warrants as a net reduction in additional paid in capital, and is not required to recognize subsequent changes in fair value of the call options and warrants in its consolidated financial statements.

#### *Other Note Payable*

The Company also has a \$400,000 note payable to Carolina First Bank, bearing interest of LIBOR plus 2.00% payable monthly, which is to be repaid in two remaining annual installments of \$200,000 ending on May 1, 2009.

#### *Debt Covenants*

The various debt agreements contain restrictions on the amounts of permitted indebtedness, investments, working capital, repurchases of common stock and cash dividends. At September 30, 2007, \$25.4 million was available under these covenants for the payment of cash dividends, or the repurchase of the Company's common stock. In addition, the

agreements restrict liens on assets and the sale or transfer of subsidiaries. The Company was in compliance with the various debt covenants for all periods presented.

**NOTE 8 – DERIVATIVE FINANCIAL INSTRUMENTS**

On October 5, 2005, the Company entered into an interest rate swap with a notional amount of \$30 million to economically hedge a portion of the cash flows from its floating rate revolving credit facility. Under the terms of the interest rate swap, the Company will pay a fixed rate of 4.755% on the \$30 million notional amount and receive payments from a counterparty based on the 1 month LIBOR rate for a term ending October 5, 2010. Interest rate differentials paid or received under the swap agreement are recognized as adjustments to interest expense.

At September 30, 2007 and 2006, the Company recorded a liability of \$127,000 and an asset of \$215,000, respectively, related to the interest rate swap, which represented the fair value of the interest rate swap at those dates. The corresponding unrealized losses of \$608,000 and \$640,000 were recorded as other income for the quarters ended September 30, 2007 and 2006, respectively. During the quarters ended September 30, 2007 and 2006, interest expense was decreased by approximately \$53,000 and \$33,000 as a result of net disbursements under the terms of the interest rate swap.

For the six months ended September 30, 2007 and 2006, unrealized losses of \$219,000 and \$278,000, respectively, were recorded as other income and interest expense was decreased by approximately \$96,000 and \$63,000, respectively, as a result of net disbursements under the terms of the interest rate swap.

On May 9, 2007, the Company entered into a \$3 million foreign exchange currency option to economically hedge its foreign exchange risk relative to the Mexican peso. Under the terms of the option contract, the Company can exchange \$3 million U.S. dollars at a rate of 11.18 Mexican pesos on May 9, 2008. The fair value of the option at September 30, 2007 was immaterial.

The Company does not enter into derivative financial instruments for trading or speculative purposes. The purpose of these instruments is to reduce the exposure to variability in future cash flows attributable to a portion of its LIBOR-based borrowings and to reduce variability in foreign cash flows. The fair value of the interest rate swap and option is recorded on the consolidated balance sheets as an other asset or other liability. The Company is currently not accounting for these derivative instruments using the cash flow hedge accounting provisions of SFAS 133; therefore, the changes in fair value of the swap and option are included in earnings as other income or expenses.

By using derivative instruments, the Company is exposed to credit and market risk. Credit risk, which is the risk that a counterparty to a derivative instrument will fail to perform, exists to the extent of the fair value gain in a derivative. Credit risk is created when the fair value of a derivative contract is positive, since this generally indicates that the counterparty owes the Company. When the fair value of a derivative is negative, no credit risk exists since the Company would owe the counterparty. Market risk is the adverse effect on the financial instruments from a change in interest rates or implied volatility of exchange rates. The Company manages the market risk associated with interest rate contracts and currency options by establishing and monitoring limits as to the types and degree of risk that may be undertaken. The market risk associated with derivatives used for interest rate and foreign currency risk management activities is fully incorporated in the Company's market risk sensitivity analysis.

#### NOTE 9 – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, on April 1, 2007. As a result of the implementation of Interpretation 48, the Company recognized a charge of approximately \$550,000 to the April 1, 2007 balance of retained earnings. As of April 1, 2007, the Company had approximately \$5.5 million of total gross unrecognized tax benefits. Of this total, approximately \$800,000 represents the amount of unrecognized tax benefits that are permanent in nature and, if recognized, would affect the annual effective tax rate.

The Company does not expect that the total amounts of unrecognized tax benefits will significantly increase or decrease between the present time and March 31, 2008.

The Company is subject to U.S and Mexican income taxes, as well as various other state and local jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2003, although carryforward attributes that were generated prior to 2003 may still be adjusted upon examination by the taxing authorities if they either have been or will be used in a future period. The federal income tax returns (2005 and 2006) and the South Carolina income tax returns (1997-2006)

are currently under examination by the taxing authorities.

The Company's continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of September 30, 2007, the Company had approximately \$495,000 accrued for interest and penalties, of which \$70,000 and \$140,000 were expensed during the quarter and six months ended September 30, 2007, respectively.

**WORLD ACCEPTANCE CORPORATION  
AND SUBSIDIARIES  
PART I. FINANCIAL INFORMATION**

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain information derived from the Company's consolidated statements of operations and balance sheets, as well as operating data and ratios, for the periods indicated:

	Three months ended September 30, 2007		Six months ended September 30, 2007	
	2006		2006	
	(Dollars in thousands)			
Average gross loans receivable (1)	\$	560,205	462,907	543,244
Average net loans receivable (2)		414,529	344,442	402,851
				333,937
Expenses as a % of total revenue:				
Provision for loan losses		23.0%	20.6%	20.8%
General and administrative		52.3%	52.5%	53.7%
Total interest expense		3.7%	3.4%	3.4%
				3.2%
Operating margin (3)		24.8%	26.9%	25.4%
				27.4%
Return on average assets (annualized)		9.3%	10.9%	9.7%
				11.3%
Offices opened or acquired, net		35	37	85
				58
Total offices (at period end)		817	678	817
				678

- 
- (1) Average gross loans receivable have been determined by averaging month-end gross loans receivable over the indicated period.
- (2) Average net loans receivable have been determined by averaging month-end gross loans receivable less unearned interest and deferred fees over the indicated period.
- (3) Operating margin is computed as total revenues less provision for loan losses and general and administrative expenses, as a percentage of total revenue.

Comparison of Three Months Ended September 30, 2007, Versus  
Three Months Ended September 30, 2006

Net income increased to \$10.5 million for the three months ended September 30, 2007, or 6.1%, from the three month period ended September 30, 2006. Operating income (revenues less provision for loan losses and general and

administrative expenses) increased approximately \$1.7 million, or 9.6%, and was offset partially by an increase in interest expense and an increase in income taxes. The decrease in operating margins from 26.9% for the three months ended September 30, 2006 compared to 24.8% for the three months ended September 30, 2007 resulted from an increase in the provision expense.

Interest and fee income for the quarter ended September 30, 2007, increased by \$11.0 million, or 18.6%, over the same period of the prior year. This increase resulted from a \$97.3 million increase, or 21.0%, in average gross loans receivable over the two corresponding periods.

Insurance commissions and other income increased by \$2.0 million, or 24.1%, between the two quarterly periods. Insurance commissions increased by \$1.7 million, or 29.2%, during the most recent quarter when compared to the prior year quarter due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately \$355,000, or 13.1%, over the two corresponding quarters. The increase is attributed to an increase in revenue from motor club products of approximately \$356,000 when comparing the two quarters.



Total revenues rose to \$80.2 million during the quarter ended September 30, 2007, a 19.3% increase over the \$67.2 million for the corresponding quarter of the previous year. This increase was attributable to a 20.3% increase in the average net loan balances.

In addition, revenues from the 615 offices open throughout both quarterly periods increased by approximately 8.5%. At September 30, 2007, the Company had 817 offices in operation, an increase of 85 offices from March 31, 2007.

The provision for loan losses during the quarter ended September 30, 2007 increased by \$4.6 million, or 33.3%, from the same quarter last year. This increase resulted from an increase in the general allowance for loan losses due to loan growth and an increase in charge-offs. Net charge-offs for the current quarter amounted to \$15.8 million, a 31.5% increase from the \$12.0 million charged off during the same quarter of fiscal year 2007. As a percentage of average loans receivable, net charge-offs increased to 15.3% on an annualized basis for the current quarter from 14.0% for the quarter ended September 30, 2006. The Company believes that the benefit from the change in the bankruptcy law has completed its cycle and the net charge-offs are returning to more historical levels.

General and administrative expenses for the quarter ended September 30, 2007 increased by \$6.6 million, or 18.8% over the same quarter of fiscal year 2007. Overall, general and administrative expenses, when divided by average open offices, decreased by approximately 1.7% when comparing the two periods; and, as a percentage of total revenue, decreased from 52.5% over the same quarter of fiscal year 2007 to 52.3% during the most recent period. This decrease resulted from a higher growth in revenue than in expenses.

Interest expense increased by \$662,000 when comparing the two corresponding quarterly periods as a result of an increase in the average outstanding debt balance.

The Company's effective income tax rate increased slightly to 38.2% for the three months ended September 30, 2007 from 37.7% for the prior year quarter. This increase partially resulted from the adoption of FIN 48, as well as increases in the state tax rates and income taxes expensed in the Company's Mexican operations.

#### Comparison of Six Months Ended September 30, 2007, Versus Six Months Ended September 30, 2006

Net income increased to \$21.3 million for the six months ended September 30, 2007, or 7.4%, from the six month period ended September 30, 2006. Operating income increased approximately \$3.9 million, or 10.9%, and was offset partially by an increase in interest expense and an increase in income taxes. The decrease in operating margins from 27.4% for the six months ended September 30, 2006 compared to 25.4% for the six months ended September 30, 2007 resulted from an increase in the provision expense.

Interest and fee income for the six months ended September 30, 2007, increased by \$21.8 million, or 19.3%, over the same period of the prior year. This increase resulted from a \$95.6 million increase, or 21.4%, in average gross loans receivable over the two corresponding periods.

Insurance commissions and other income increased by \$3.7 million, or 21.0%, between the two periods. Insurance commissions increased by \$2.7 million, or 23.0%, during the most recent six months when compared to the prior year first six months due to the increase in loans in those states where credit insurance is sold in conjunction with the loan. Other income increased by approximately \$1.1 million, or 17.2%, over the two corresponding periods primarily due to an increase in revenue from motor club products of approximately \$799,000 and increased tax preparation revenue of \$134,000 when comparing the two six month periods.

Total revenues rose to \$156.6 million during the six months ended September 30, 2007, a 19.5% increase over the \$131.0 million for the corresponding period of the previous year. This increase was attributable to a 20.6% increase in

average net loans and an increase in revenues from offices open throughout both periods. Revenues from the 612 offices open throughout both periods increased by approximately 9.1%.

The provision for loan losses during the six months ended September 30, 2007 increased by \$7.7 million, or 30.6%, from the same period last year. This increase resulted from an increase in the general allowance for loan losses due to loan growth and an increase in charge-offs. Net charge-offs for the current six month period amounted to \$28.3 million, a 32.9% increase from the \$21.3 million charged off during the same period of fiscal 2007. As a percentage of average loans receivable, net charge-offs increased to 14.0% on an annualized basis for the current six month period from 12.7% for the six month period ended September 30, 2006. As discussed above, the Company believes that the benefit from the change in the bankruptcy law has completed its cycle and net charge-offs are returning to more historical levels.

General and administrative expenses for the six month period ended September 30, 2007 increased by \$14.0 million, or 19.9% over the same six month period of fiscal 2007. Overall, general and administrative expenses, when divided by average open offices, decreased by approximately 0.5% when comparing the two periods. During the first six months of fiscal 2008, the Company opened 73 branches compared to 21 branches in the first six months of fiscal 2007. Additionally, the Company has opened or acquired 139 net new offices during the 12 month period ended September 30, 2007. The increase in the total general and administrative expenses as a percent of total revenues from 53.5% during the prior year six month period to 53.7% during the most recent six month period was a result of the increase in the number of branch openings. The Company made a decision to accelerate our new branch openings. The investment to accelerate our new branch openings increased the Company's general and administrative expenses in the current quarter. The Company believes this decision will positively impact our earnings in future quarters.

Interest expense increased by \$1.1 when comparing the two corresponding six month periods as a result of an increase in the average outstanding debt balance.

The Company's effective income tax rate increased slightly to 38.3% for the six month period ended September 30, 2007 from 37.5% for the prior year period. This increase partially resulted from the adoption of FIN 48, as well as increases in the state tax rates and income taxes expensed in the Company's Mexican operations.

#### Critical Accounting Policies

The Company's accounting and reporting policies are in accordance with U. S. generally accepted accounting principles and conform to general practices within the finance company industry. Certain critical accounting policies involve significant judgment by the Company's management, including the use of estimates and assumptions which affect the reported amounts of assets, liabilities, revenues, and expenses. As a result, changes in these estimates and assumptions could significantly affect the Company's financial position and results of operations. The Company considers its policies regarding the allowance for loan losses and share-based compensation to be its most critical accounting policies due to the significant degree of management judgment involved.

#### Allowance for Loan Losses

The Company has developed policies and procedures for assessing the adequacy of the allowance for loan losses that take into consideration various assumptions and estimates with respect to the loan portfolio. The Company's assumptions and estimates may be affected in the future by changes in economic conditions, among other factors. Additional information concerning the allowance for loan losses is discussed under "Management's Discussion and Analysis of Financial Conditions and Results of Operations - Credit Quality" in the Company's report on Form 10-K for the fiscal year ended March 31, 2007.

#### Share-Based Compensation

The Company measures compensation cost for share-based awards at fair value and recognizes compensation over the service period for awards expected to vest. The fair value of restricted stock is based on the number of shares granted and the quoted price of the Company's common stock, and the fair value of stock options is determined using the Black-Scholes valuation model. The Black-Scholes model requires the input of highly subjective assumptions, including expected volatility, risk-free interest rate and expected life, changes to which can materially affect the fair value estimate. In addition, the estimation of share-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The Company considers many factors when estimating expected forfeitures, including types of awards, employee class, and historical experience. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates.

Liquidity and Capital Resources

The Company has financed its operations, acquisitions and office expansion through a combination of cash flow from operations and borrowings from its institutional lenders. The Company's primary ongoing cash requirements relate to the funding of new offices and acquisitions, the overall growth of loans outstanding, the repayment of indebtedness and the repurchase of its common stock. As the Company's gross loans receivable increased from \$351.5 million at March 31, 2005 to \$505.8 million at March 31, 2007, net cash provided by operating activities for fiscal years 2005, 2006 and 2007 was \$87.7 million, \$98.0 million and \$110.1 million, respectively.

During the first six months of fiscal 2008, the Company repurchased 690,100 shares of its common stock for an aggregate purchase price of \$21,278,877. The Company believes stock repurchases to be a viable component of the Company's long-term financial strategy and an excellent use of excess cash when the opportunity arises. In addition, the Company plans to open or acquire at least 75 new offices in the United States and 20 new offices in Mexico in fiscal 2008. Expenditures by the Company to open and furnish new offices generally averaged approximately \$25,000 per office during fiscal 2007. New offices have also required from \$100,000 to \$400,000 to fund outstanding loans receivable originated during their first 12 months of operation.

The Company acquired 12 offices and five loan portfolios from competitors in four states in five separate transactions during the first six months of fiscal 2008. Gross loans receivable purchased in these transactions were approximately \$3.0 million in the aggregate at the dates of purchase. The Company believes that attractive opportunities to acquire new offices or receivables from its competitors or to acquire offices in communities not currently served by the Company will continue to become available as conditions in local economies and the financial circumstances of owners change.

The Company has a \$187.0 million base credit facility with a syndicate of banks. In addition to the base revolving credit commitment, there is a \$30 million seasonal revolving credit commitment available November 15 of each year through March 31 of the immediately succeeding year to cover the increase in loan demand during this period. The credit facility will expire on September 30, 2009. Funds borrowed under the revolving credit facility bear interest, at the Company's option, at either the agent bank's prime rate per annum or the LIBOR rate plus 1.80% per annum. At September 30, 2007, the interest rate on borrowings under the revolving credit facility was 7.75%. The Company pays a commitment fee equal to 0.375% per annum of the daily unused portion of the revolving credit facility. Amounts outstanding under the revolving credit facility may not exceed specified percentages of eligible loans receivable. On September 30, 2007, \$115.0 million was outstanding under this facility, and there was \$72.0 million of unused borrowing availability under the borrowing base limitations.

The Company's credit agreements contain a number of financial covenants, including minimum net worth and fixed charge coverage requirements. The credit agreements also contain certain other covenants, including covenants that impose limitations on the Company with respect to (i) declaring or paying dividends or making distributions on or acquiring common or preferred stock or warrants or options; (ii) redeeming or purchasing or prepaying principal or interest on subordinated debt; (iii) incurring additional indebtedness; and (iv) entering into a merger, consolidation or sale of substantial assets or subsidiaries. The Company believes that it was in compliance with these agreements as of September 30, 2007, and does not believe that these agreements will materially limit its business and expansion strategy.

Related to the adoption of FIN No. 48, on April 1, 2007, the Company's contractual obligations as of September 30, 2007 also includes unrecognized tax benefits of \$5.5 million which are expected to be settled in greater than one year. While the settlement of the obligation is expected to be in excess of 1 year, the precise timing of the settlement is indeterminable.

The Company believes that cash flow from operations and borrowings under its revolving credit facility or other sources will be adequate to fund the expected cost of opening or acquiring new offices, including funding initial operating losses of new offices and funding loans receivable originated by those offices and the Company's other offices and the scheduled repayment of the other notes payable (for the next 12 months and for the foreseeable future beyond that). Management is not currently aware of any trends, demands, commitments, events or uncertainties related to the Company's operations that it believes will result in, or are reasonably likely to result in, the Company's liquidity increasing or decreasing in any material way. From time to time, the Company has needed and obtained, and expects that it will continue to need on a periodic basis, an increase in the borrowing limits under its revolving credit facility. The Company has successfully obtained such increases in the past and anticipates that it will be able to obtain such increases or secure other sources of financing in the future as the need arises; however, there can be no assurance

that this additional funding will be available (or available on reasonable terms) if and when needed.

### Inflation

The Company does not believe that inflation has a material adverse effect on its financial condition or results of operations. The primary impact of inflation on the operations of the Company is reflected in increased operating costs. While increases in operating costs would adversely affect the Company's operations, the consumer lending laws of three of the eleven states in which the Company currently operates allow indexing of maximum loan amounts to the Consumer Price Index. These provisions will allow the Company to make larger loans at existing interest rates, which could partially offset the effect of inflationary increases in operating costs.

### Quarterly Information and Seasonality

The Company's loan volume and corresponding loans receivable follow seasonal trends. The Company's highest loan demand occurs each year from October through December, its third fiscal quarter. Loan demand is generally the lowest and loan repayment is highest from January to March, its fourth fiscal quarter. Loan volume and average balances remain relatively level during the remainder of the year. This seasonal trend causes fluctuations in the Company's cash needs and quarterly operating performance through corresponding fluctuations in interest and fee income and insurance commissions earned, since unearned interest and insurance income are accreted to income on a collection method. Consequently, operating results for the Company's third fiscal quarter are significantly lower than in other quarters and operating results for its fourth fiscal quarter are generally higher than in other quarters.

### Recently Adopted Accounting Pronouncements

#### *Accounting for Certain Hybrid Financial Instruments*

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140" ("SFAS 155"). SFAS 155 permits an entity to measure at fair value any financial instrument that contains an embedded derivative that otherwise would be required to be bifurcated and accounted for separately under SFAS 133. SFAS 155 is effective for fiscal years beginning after September 15, 2006. The adoption of SFAS 155 had no impact on the Company's consolidated financial statements.

#### *Accounting for Uncertainty in Income Taxes*

In July 2006, FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"), was issued. It clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," by prescribing the minimum recognition threshold and measurement attribute a tax position taken or expected to be taken on a tax return is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In May 2007, the FASB issued FSP FIN No. 48-1, "Definition of Settlement in FASB Interpretation No. 48." FSP FIN No. 48-1 provides guidance on how a company should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN No. 48-1 is effective upon initial adoption of FIN No. 48, which the Company adopted in the first quarter of fiscal 2008, as discussed in footnote 9 to the Consolidated Financial Statements.

#### *Fair Value Measurements*

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides a common definition of fair value and a framework for measuring assets and liabilities at fair values when a particular standard prescribes it. In addition, the Statement prescribes a more enhanced disclosure of fair value measures, and requires a more expanded disclosure when non-market data is used to assess fair values. As required by SFAS 157, the Company will adopt this new accounting standard effective April 1, 2008. Management is currently reviewing the impact SFAS 157 on the Company's financial statements.

### Fair Value Option for Financial Assets and Financial Liabilities

On February 15, 2007, the FASB issued SFAS No. 159 (“SFAS 159”), “The Fair Value Option for Financial Assets and Financial Liabilities,” which allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on a contract-by-contract basis. Subsequent changes in fair value of these financial assets and liabilities would be recognized in earnings when they occur. SFAS 159 further establishes certain additional disclosure requirements. SFAS 159 is effective for the Company’s financial statements for the year beginning on April 1, 2008. The Company does not expect the effect of adopting this standard to be material to its Consolidated Financial Statements.

### Accounting for Purchases of Life Insurance

In September 2006, the FASB ratified the consensus reached by the EITF on Issue No. 06-5, “Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance.” FASB Technical Bulletin No. 85-4 requires that the amount that could be realized under the insurance contract as of the date of the statement of financial position should be reported as an asset. Since the issuance of FASB Technical Bulletin No. 85-4, there has been diversity in practice in the calculation of the amount that could be realized under insurance contracts. Issue No. 06-5 concludes that the Company should consider any additional amounts (e.g., cash stabilization reserves and deferred acquisition cost taxes) included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized in accordance with FASB Technical Bulletin No. 85-4. The adoption of this Interpretation had no material impact on the Company’s consolidated financial statements.

### Forward-Looking Information

This report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains various “forward-looking statements,” within the meaning of Section 21E of the Securities Exchange Act of 1934, that are based on management’s belief and assumptions, as well as information currently available to management. Statements other than those of historical fact, as well as those identified by the words “anticipate,” “estimate,” “plan,” “expect,” “believe,” “may,” “will,” and “should” any variation of the foregoing and similar expressions are forward-looking statements. Specifically, the statements in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of the Company’s expectations regarding charge-off trends or office expansion plans and are forward-looking statements. Although the Company believes that the expectations reflected in any such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Any such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, the Company’s actual financial results, performance or financial condition may vary materially from those anticipated, estimated or expected. Among the key factors that could cause the Company’s actual financial results, performance or condition to differ from the expectations expressed or implied in such forward-looking statements are the following: changes in interest rates; risks inherent in making loans, including repayment risks and value of collateral; recently-enacted or proposed legislation; the timing and amount of revenues that may be recognized by the Company; changes in current revenue and expense trends (including trends affecting delinquencies and charge-offs); changes in the Company’s markets and general changes in the economy (particularly in the markets served by the Company); the unpredictable nature of litigation, and other matters discussed in this Report in Part I, Item 1A, “Risk Factors” in the Company’s most recent annual report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) and the Company’s other reports filed with, or furnished to, the SEC from time to time. The Company does not undertake any obligation to update any forward-looking statements it makes.



Item 3. Quantitative and Qualitative Disclosures About Market Risk

*Interest Rate Risk*

The Company's financial instruments consist of the following: cash, loans receivable, senior notes payable, convertible senior subordinated notes payable, another note payable, an interest rate swap and a foreign currency option. Fair value approximates carrying value for all of these instruments, except the convertible senior subordinated notes payable, for which the fair value represents the quoted market price. Loans receivable are originated at prevailing market rates and have an average life of approximately four months. Given the short-term nature of these loans, they are continually repriced at current market rates. The Company's outstanding debt under its revolving credit facility was \$115 million at September 30, 2007. Interest on borrowings under this facility is based, at the Company's option, on the prime rate or LIBOR plus 1.80%.

Based on the outstanding balance at September 30, 2007, a change of 1% in the interest rates would cause a change in interest expense of approximately \$850,000 on an annual basis.

In October 2005, the Company entered into an interest rate swap to economically hedge the variable cash flows associated with \$30 million of its LIBOR-based borrowings. This swap converted the \$30 million from a variable rate of one-month LIBOR to a fixed rate of 4.755% for a period of five years.

In accordance with SFAS 133, the Company records derivatives at fair value, as other assets or liabilities, on the consolidated balance sheets. Since the Company is not utilizing hedge accounting under SFAS 133, changes in the fair value of the derivative instrument are included in other income. As of September 30, 2007, the fair value of the interest rate swap was a liability of \$127,000 and is included in other liabilities. The change in fair value from the beginning of the year, recorded as an unrealized loss in other income, was \$608,000.

The Company has another note payable which has a balance of \$400,000 at September 30, 2007, and carries an interest rate equal to LIBOR + 2.00%.

*Foreign Currency Exchange Rate Risk*

In September 2005 the Company began opening offices in Mexico, where its local businesses utilize the Mexican peso as their functional currency. The consolidated financial statements of the Company are denominated in U.S. dollars and are therefore subject to fluctuation as the U.S. dollar and Mexican peso foreign exchange rates change. International revenues were less than 2% of the Company's total revenues for the quarter and six months ended September 30, 2007 and net loans denominated in Mexican pesos were approximately \$5.3 million (USD) at September 30, 2007.

The Company's foreign currency exchange rate exposures may change over time as business practices evolve and could have a material effect on the Company's financial results. There have been, and there may continue to be, period-to-period fluctuations in the relative portions of Mexican revenues.

On May 9, 2007, the Company economically hedged its foreign exchange risk by purchasing a \$3 million foreign exchange currency option with a strike rate of 11.18 Mexican peso per US dollar. This option expires on May 9, 2008. Changes in the fair value of this option are recorded as a component of earnings since the Company does not apply hedge accounting under SFAS 133. The fair value of the option at September 30, 2007, and the change in the fair value of the option in fiscal 2008 is less than \$50,000.

Because its earnings are affected by fluctuations in the value of the U.S. dollar against foreign currencies, the Company has performed an analysis assuming a hypothetical 10% increase or decrease in the value of the U.S. dollar

relative to the Mexican peso in which our transactions in Mexico are denominated. At September 30, 2007, the analysis indicated that such market movements would not have had a material effect on the Company's consolidated financial statements. The actual effects on the consolidated financial statements in the future may differ materially from results of the analysis for the quarter and six months ended September 30, 2007. The Company will continue to monitor and assess the effect of currency fluctuations and may institute further hedging alternatives.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2007. Based on that evaluation, the Company's management, including the CEO and CFO, has concluded that the Company's disclosure controls and procedures are effective as of September 30, 2007. During the second quarter of fiscal 2008, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**Item 1. Legal Proceedings

From time to time the Company is involved in routine litigation relating to claims arising out of its operations in the normal course of business. The Company believes that it is not presently a party to any such pending legal proceedings that would have a material adverse effect on its financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed under Part I, Item 1A (page 9) of the Company Annual Report on Form 10-K for the year ended March 31, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company's credit agreements contain certain restrictions on the payment of cash dividends on its capital stock. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" and Note 7 to the unaudited consolidated financial statements included in this report.

## Issuer Purchases of Equity Securities

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
July 1 through July 31, 2007 (1)	-	-	-	12,826,853
August 1, through August 31, 2007 (2)	487,500	31.08	487,500	7,676,796
September 1, through September 30, 2007	202,600	30.25	202,600	\$ 1,547,976
Total for the quarter	690,100	\$ 30.83	690,100	

(1) On July 27, 2007, the Board of Directors authorized the Company to repurchase up to \$10 million of additional common stock.

(2) On August 1, 2007, the Board of Directors authorized the Company to repurchase up to \$10 million of additional common stock.

The timing and actual number of shares repurchased will depend on a variety of factors, including the stock price, corporate and regulatory requirements and other market and economic conditions. The Company's stock repurchase program is not subject to specific targets or any expiration date, but may be suspended or discontinued at any time.

Item 4. Submission of Matters of a Vote of Security Holders

(a) The 2007 Annual Meeting of Shareholders was held on August 1, 2007.

(b) Pursuant to Instruction 3 to Item 4, this paragraph need not be answered.

(c) At the 2007 Annual Meeting of Shareholders, the following two matters were voted upon and passed. The tabulation of votes was:

(1) The election of six Directors to serve until the 2008 Annual Meeting of Shareholders:

VOTES IN FAVOR    VOTES WITHHELD

Ken R. Bramlett, Jr.	16,512,028	259,699
James R. Gilreath	16,511,988	259,739
William S. Hummers III	16,226,796	544,931
A. Alexander McLean III	16,512,668	259,059
Mark C. Roland	16,477,651	294,076
Charles D. Way	16,511,988	259,739

(2) The ratification of the selection of KPMG LLP as Independent Auditors:

VOTES IN FAVOR                  VOTES AGAINST    ABSTENTIONS\*

16,740,371	29,701	1,654
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\*There were no broker non-votes on this routine item.

**WORLD ACCEPTANCE CORPORATION  
AND SUBSIDIARIES**

**PART II. OTHER INFORMATION, CONTINUED**

Item 6. Exhibits

Exhibit Number	Description	Previous Exhibit Number	Company Registration No. or Report
3.1	Second Amended and Restated Articles of Incorporation of the Company, as amended	3.1	333-107426
3.2	Fourth Amended and Restated Bylaws of the Company	99.3	8-02-07 8-K
4.1	Specimen Share Certificate	4.1	33-42879
4.2	Articles 3, 4 and 5 of the Form of Company's Second Amended and Restated Articles of Incorporation (as amended)	3.1	333-107426
4.3	Amended and Restated Credit Agreement dated July 20, 2005	4.4	6-30-05 10-Q
4.4	First Amendment to Amended and Restated Revolving Credit Agreement dated as of August 4, 2006	4.4	6-30-06 10-Q
4.5	Second Amendment to Amended and Restated Revolving Credit Agreement dated as of October 2, 2006	10.1	10-04-06 8-K
4.6	Third Amendment to Amended and Restated Revolving Credit Agreement dated as of August 31, 2007	10.1	9-07-07 8-K
4.7	Subsidiary Security Agreement dated as of June 30, 1997, as amended through July 20, 2005	4.5	9-30-05 10-Q
4.8	Company Security Agreement dated as of June 20, 1997, as amended through July 20, 2005	4.6	9-30-05 10-Q
4.9	Fourth Amendment to Subsidiary Amended and Restated Security Agreement, Pledge and Indenture of Trust (i.e. Subsidiary Security Agreement)	4.7	6-30-05 10-Q
4.10	Fourth Amendment to Amended and Restated Security Agreement, Pledge and Indenture of Trust, dated as of June 30, 1997, between the Company and Harris Trust and Savings Bank, as Security Trustee	4.8	9-30-07 10-Q
4.11		4.9	6-30-05 10-Q

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Fifth Amendment to Amended and Restated Security  
Agreement, Pledge and Indenture of Trust (i.e. Company  
Security Agreement)

4.12	Form of 3.00% Convertible Senior Subordinated Note due 2011	4.1	10-12-06 8-K
4.13	Indenture, dated October 10, 2006 between the Company and U.S. Bank National Association, as Trustee	4.2	10-12-06 8-K

Number	Exhibit Description	Previous Exhibit Number	Company Registration No. or Report
10.1	Employment Agreement of Kelly M. Malson, effective as of August 27, 2007	99.1	8-29-07 8-K
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	*	
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	*	
32.1	Section 1350 Certification of Chief Executive Officer	*	
32.2	Section 1350 Certification of Chief Financial Officer	*	

\* Filed or furnished herewith.



## **SIGNATURES**

Pursuant to the requirements 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.

### **WORLD ACCEPTANCE CORPORATION**

By: /s/ A. Alexander McLean, III  
A. Alexander McLean, III, Chairman and  
Chief Executive Officer  
Date: November 1, 2007

By: /s/ Kelly M. Malson  
Kelly M. Malson, Vice President and  
Chief Financial Officer  
Date: November 1, 2007