TEXAS INSTRUMENTS INC
Form DEF 14A
March 07, 2008

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [x]
Filed by a Party other than the Registrant [_]

Check the appropriate box:
[_] Preliminary Proxy Statement
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Texas Instruments Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
APRIL 17, 2008

Dear Stockholder:

You are cordially invited to attend the **2008 annual meeting of stockholders on Thursday, April 17, 2008,** at the cafeteria on our property at 12500 TI Boulevard, Dallas, Texas, at 10:00 a.m. (Dallas time). At the meeting we will:

- Elect directors for the next year.
- Consider and act upon a board proposal to ratify the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2008.
- Consider and act upon such other matters, including a stockholder proposal, as may properly come before the meeting.

Stockholders of record at the close of business on February 19, 2008, are entitled to vote at the annual meeting.

We urge you to vote your shares as promptly as possible by: (1) accessing the Internet web site, (2) calling the toll-free number or (3) signing, dating and mailing the enclosed proxy.

Sincerely,
Joseph F. Hubach
Senior Vice President,
Secretary and
General Counsel

Dallas, Texas
March 7, 2008

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EXECUTIVE OFFICES: 12500 TI BOULEVARD, DALLAS, TEXAS
MAILING ADDRESS: POST OFFICE BOX 660199, DALLAS, TEXAS 75266-0199

PROXY STATEMENT
March 7, 2008

VOTING PROCEDURES

TIs board of directors requests your proxy for the annual meeting of stockholders on April 17, 2008. If you sign and return the enclosed proxy, or vote by telephone or on the Internet, you authorize the persons named in the proxy to represent you and vote your shares for the purposes mentioned in the notice of annual meeting. This proxy statement and related proxy are being distributed on or about March 7, 2008.

If you come to the meeting, you can of course vote in person. But if you dont come to the meeting, your shares can be voted only if you have returned a properly signed proxy or followed the telephone or Internet voting instructions. If you sign and return your proxy but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the board of directors. You can revoke your authorization at any time before the shares are voted at the meeting.

ELECTION OF DIRECTORS

Directors are elected at the annual meeting to hold office until the next annual meeting and until their successors are elected and qualified. The board of directors has designated the following persons as nominees: JAMES R. ADAMS, DAVID L. BOREN, DANIEL A. CARP, CARRIE S. COX, DAVID R. GOODE, PAMELA H. PATSLEY, WAYNE R. SANDERS, RUTH J. SIMMONS, RICHARD K. TEMPLETON and CHRISTINE TODD WHITMAN.

If you return a proxy that is not otherwise marked, your shares will be voted FOR each of the nominees.

Nominees for Directorship

All of the nominees for directorship are now directors of the company. If any nominee becomes unable to serve before the meeting, the people named as proxies may vote for a substitute or the number of directors will be reduced accordingly.

JAMES R. ADAMS *Director*

Member, Governance and Stockholder Relations Committee.

Chairman of the board of the company, 1996-98. Group president, SBC Communications Inc., 1992-95; president and chief executive officer of Southwestern Bell Telephone Company, 1988-92.

DAVID L. BOREN *Director*

Chair, Governance and Stockholder Relations Committee.

President of the University of Oklahoma since 1994. U.S. Senator, 1979-94; Governor of Oklahoma, 1975-79. Director, AMR Corporation and Torchmark Corporation; chairman, Oklahoma Foundation for Excellence.

DANIEL A. CARP *Director*

Chair, Compensation Committee.

Chairman of the board and chief executive officer of Eastman Kodak Company, 2000-2005; director, 1997-2005. President of Eastman Kodak, 1997-2001, 2002-2003; chief operating officer, 2002-2003. Chairman of the board, Delta Air Lines, Inc.; director, Liz Claiborne, Inc. and Norfolk Southern Corporation.

CARRIE S. COX *Director*

Member, Audit Committee.

Executive vice president and president of Global Pharmaceuticals at Schering-Plough Corporation since 2003. Executive vice president and president of Global Prescription Business at Pharmacia Corporation, 1997-2003.

DAVID R. GOODE *Director*

Member, Governance and Stockholder Relations Committee.

Chairman of the board of Norfolk Southern Corporation, 1992-2006; chief executive officer, 1992-2005; president, 1991-2004. Director, Caterpillar, Inc., Delta Air Lines, Inc. and Russell Reynolds Associates, Inc.;

member, The Business Council.

PAMELA H. PATSLEY *Director*

Chair, Audit Committee.

Senior executive vice president of First Data Corporation, 2000-2007; president of its subsidiaries First Data International, 2002-2007 and First Data Merchant Services, 2000-2002. President and chief executive officer of Paymentech, Inc., 1991-2000. Director, Molson Coors Brewing Company and Tolleson Wealth Management, Inc.; national trustee, Boys and Girls Clubs of America.

WAYNE R. SANDERS *Director*

Member, Audit Committee.

Chairman of the board of Kimberly-Clark Corporation, 1992-2003; chief executive officer, 1991-2002; director, 1989-2003. Director, Belo Corporation; national trustee and governor, Boys and Girls Clubs of America.

RUTH J. SIMMONS *Director*

Member, Compensation Committee.

President of Brown University since 2001. President of Smith College, 1995-2001; vice provost of Princeton University, 1992-95. Director, The Goldman Sachs Group, Inc.; fellow, American Academy of Arts and Sciences; member, Council on Foreign Relations; trustee, Howard University.

RICHARD K. TEMPLETON *Director, President and Chief Executive Officer*

President and chief executive officer of the company since 2004. Chief operating officer of the company, 2000-2004. Joined the company in 1980; elected president of the company's Semiconductor Group and executive vice president in 1996. Director, Semiconductor Industry Association; member, The Business Roundtable.

CHRISTINE TODD WHITMAN *Director*

Member, Compensation Committee.

Director and president of The Whitman Strategy Group. Administrator of the Environmental Protection Agency, 2001-2003; Governor of New Jersey, 1994-2000. Director, Council on Foreign Relations, S.C. Johnson & Son, Inc. and United Technologies Corp.

Retiring Director

Thomas J. Engibous, a highly valued leader and member of the board, will retire as chairman immediately after the annual meeting and, therefore, is not standing for reelection. Mr. Engibous has been chairman since 1998 and president and chief executive officer of the company from 1996-2004. He is also a director of J.C. Penney Company, Inc.

Director Nomination Process

The board is responsible for approving nominees for election as directors. To assist in this task, the board has designated a standing committee, the Governance and Stockholder Relations Committee (the Committee), which is responsible for reviewing and recommending nominees to the board. The Committee is comprised solely of independent directors as defined by the rules of the New York Stock Exchange (NYSE) and the board's corporate governance guidelines. Our board of directors has adopted a written charter for the Committee. The charter can be found on our web site at www.ti.com/corporategovernance.

It is a long-standing policy of the board to consider prospective board nominees recommended by stockholders. A stockholder who wishes to recommend a prospective board nominee for the Committee's consideration can write to the Secretary of the Governance and Stockholder Relations Committee, Texas Instruments Incorporated, Post Office Box 655936, MS 8658, Dallas, Texas 75265-5936. The Committee will evaluate the stockholder's prospective board nominee in the same manner as it evaluates other nominees.

In evaluating prospective nominees, the Committee looks for the following minimum qualifications, qualities and skills:

- Outstanding achievement in the individual's personal career.
- Breadth of experience.
- Soundness of judgment.
- Ability to make independent, analytical inquiries.
- Ability to contribute to a diversity of viewpoints among board members.
- Willingness and ability to devote the time required to perform board activities adequately (in this regard, the Committee will consider the number of other boards on which the individual serves as a director).
- Ability to represent the total corporate interests of TI (a director will not be selected to, nor will he or she be expected to, represent the interests of any particular group).

Stockholders, non-management directors, management and others may submit recommendations to the Committee. The board prefers a mix of experience among its members to maintain a diversity of viewpoints. For example, some board members may have spent much of their careers in business, some in government and some in academia. The board's current size is within the desired range as stated in the board's corporate governance guidelines.

Communications with the Board

Stockholders and others who wish to communicate with the board as a whole, or to individual directors, may write to them at: Post Office Box 655936, MS 8658, Dallas, Texas 75265-5936. All communications sent to this address will be shared with the board or the individual director, if so addressed.

Annual Meeting Attendance

It is a policy of the board to encourage directors to attend each annual meeting of stockholders. Such attendance allows for direct interaction between stockholders and members of the board. In 2007, all directors attended TI's annual meeting of stockholders.

Director Independence

The board has adopted the following standards for determining independence.

A. In no event will a director be considered independent if:

1. He or she is a current partner of or is employed by the company's independent auditors; or

2. An immediate family member of the director is (a) a current partner of the company's independent auditors or (b) currently employed by the company's independent auditors and participates in the auditors' audit, assurance or tax compliance (but not tax planning) practice.

B. In no event will a director be considered independent if, within the preceding three years:

1. He or she was employed by the company (except in the capacity of interim chairman of the board, chief executive officer or other executive officer) or any of its subsidiaries;

2. He or she received more than $100,000 during any twelve-month period in direct compensation from TI (other than (a) director and committee fees and pension or other forms of deferred compensation and (b) compensation received for former service as an interim chairman of the board, chief executive officer or other executive officer);

3. An immediate family member of the director was employed as an executive officer by the company or any of its subsidiaries;

4. An immediate family member of the director received more than $100,000 during any twelve-month period in direct compensation from TI (excluding compensation as a non-executive officer employee of the company);

5. He or she was (but is no longer) a partner or employee of the company's independent auditors and personally worked on the company's audit within that time;

6. An immediate family member of the director was (but is no longer) a partner or employee of the company's independent auditors and personally worked on the company's audit within that time;

7. He or she was an executive officer of another company, at which any of TI's current executive officers at the same time served on that company's compensation committee;

8. An immediate family member of the director was an executive officer of another company at which any of TI's current executive officers at the same time served on that company's compensation committee;

9. He or she was, and remains at the time of the determination, an executive officer or employee of a company that made payments to, or received payments from, TI for property or services in an amount which, in any single fiscal year, exceeded the greater of $1 million or 2 percent of the other company's consolidated gross revenues for its last completed fiscal year (for purposes of this standard, charitable contributions are not considered "payments"); or

10. An immediate family member of the director was, and remains at the time of the determination, an executive officer of a company that made payments to, or received payments from, TI for property or services in an amount which, in any single fiscal year, exceeded the greater of $1 million or 2 percent of the other company's consolidated gross revenues for its last completed fiscal year (for purposes of this standard, charitable contributions are not

considered payments).

C. Audit Committee members may not accept any consulting, advisory or other compensatory fee from TI, other than in their capacity as members of the board or any board committee. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with TI (provided that such compensation is not contingent in any way on continued service).

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D. The following relationships will not be considered material relationships with the company for the purpose of determining director independence:

1. A director is an employee, director or trustee of a charitable organization and TI or the TI Foundation makes discretionary contributions to that organization that are less than the greater of $50,000 or 2 percent of the organizations latest publicly available consolidated gross revenue.

2. A director is an employee, director or trustee of another entity that is indebted to TI or to which TI is indebted, and the total amount of either companys indebtedness to the other is less than 2 percent of the total consolidated assets of the entity he or she serves as an executive officer, director or trustee.

For any other relationship, the determination of whether the relationship is material, and consequently whether the director involved is independent, will be made by directors who satisfy the independence criteria set forth in this section.

For purposes of these independence determinations, immediate family member will have the same meaning as under the NYSE rules.

Applying these standards, the board has determined that the following directors have no material relationship with the company other than as a director and are, therefore, independent: Mr. Adams, Mr. Boren, Mr. Carp, Ms. Cox, Mr. Goode, Ms. Patsley, Mr. Sanders, Ms. Simmons and Ms. Whitman. In its deliberations, the board considered Mr. Adamss employment by the company in the role of independent chairman of the board from 1996 to 1998, and noted that the boards independence standards specifically permit employment of an independent director as interim chairman with no effect on that directors status (please see B.1. above). The board also considered a charitable contribution the company made to an organization for which Ms. Patsley and Mr. Sanders serve as national trustees. The amount of the contribution was well within the safe harbor for charitable contributions contained in the independence standards (please see D.1. above). Gerald W. Fronterhouse, who served as a director of the company before reaching the age of 70 and becoming ineligible to stand for reelection in April 2007, also had been determined by the board to be independent.

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Directors Ages, Service and Stock Ownership

The table below shows the directors ages and beneficial ownership of common stock of the company and the year each became a director.

Director	Age	Director Since	Common Stock Ownership at December 31, 2007*
J. R. Adams	68	1989	436,112
D. L. Boren	66	1995	76,611
D. A. Carp	59	1997	131,936

C. S. Cox	50	2004	26,465
T. J. Engibous	55	1996	5,681,496
D. R. Goode	67	1996	130,550
P. H. Patsley	51	2004	33,110
W. R. Sanders	60	1997	114,515
R. J. Simmons	62	1999	99,651
R. K. Templeton	49	2003	5,110,403
C. T. Whitman	61	2003	41,887

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* Included in the common stock ownership shown above are:

Director	Shares Obtainable Within 60 Days	Shares Credited To 401(k) and Profit Sharing Accounts	Restricted Stock Units (in shares) (1)	Shares Credited To Deferred Compensation Account (2)
J. R. Adams	95,500	3,482	21,012	24,219
D. L. Boren	48,000	0	25,380	3,231
D. A. Carp	95,500	0	11,164	25,272
C. S. Cox	20,500	0	4,500	0
T. J. Engibous	5,559,697	18,296	0	0
D. R. Goode	95,500	0	16,132	18,918
P. H. Patsley	20,500	0	4,500	8,110
W. R. Sanders	95,500	0	12,100	1,315
R. J. Simmons	75,500	0	10,500	13,651
R. K. Templeton	4,477,697	11,198	620,000	0
C. T. Whitman	35,500	0	4,500	1,887

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(1) The non-employee directors restricted stock units granted before 2007 are settled in TI stock generally upon the directors termination of service provided he or she has served at least eight years or has reached the companys retirement age for directors. Restricted stock units granted after 2006 are settled in TI stock generally upon the fourth anniversary of the grant date.

(2) The shares in deferred compensation accounts are issued following the directors termination of service.

Excludes shares held by a family member if a director has disclaimed beneficial ownership. Each director owns less than 1 percent of TIs common stock. No director has pledged shares of TI common stock.

CORPORATE GOVERNANCE

The board has a long-standing commitment to responsible and effective corporate governance. A full description of our boards corporate governance practices is available at www.ti.com/corporategovernance.

TIs board of directors first adopted written governance guidelines and committee charters in 1973. Its policies and practices have evolved over time, adapting to meet the needs of TI and our stockholders, although some practices, such as maintaining a majority of independent directors, are of long standing. Our boards commitment to governance is evidenced by the time members devote to TI matters. Historically the board has met at least eight times a year. TI directors have also long participated in strategic planning conferences in addition to the regular board meetings. Directors interact directly with managers other than the chief executive officer at board meetings and the strategic planning conferences. This practice facilitates the directors' oversight efforts and also gives directors opportunities to evaluate those managers, aiding directors in succession planning considerations. The board and each of its committees conduct evaluations annually; changes to processes such as agenda setting, and expanded presentations to the board on certain topics, are examples of improvements that have resulted from those evaluations.

The Governance and Stockholder Relations Committee typically considers and makes recommendations to our board on governance matters. Membership of the committee is determined by our board and the committee consists entirely of independent directors. On page 13 of this proxy statement is a summary of the committee's responsibilities.

Our board regularly undertakes an assessment of its governance practices. Following are examples of significant governance practices at TI:

- Majority voting. Under TI's by-laws, a director nominee must receive an affirmative vote from a majority of the shares present at the company's annual meeting of stockholders in order to be elected. The board believes this majority vote standard appropriately gives stockholders a greater voice in the election of directors than does plurality voting. Under Delaware law, an incumbent director who fails to receive the required vote "holds over," or continues to serve as a director, until his or her successor is elected and qualified. In order to address this "holdover" issue, board policy requires an incumbent nominee who fails to receive the required vote to tender a resignation. Following receipt of such a resignation, the board is required to act on it within 90 days of the certification of the vote. In considering whether to accept or reject the resignation, the board will consider all factors it deems relevant, including the underlying reason for the vote result, the director's contributions to the company during his or her tenure, and the director's qualifications. The board may accept or reject the resignation. Only independent directors will participate in the deliberations regarding a tendered resignation.

- The roles of chairman and chief executive officer. The board has no fixed policy on whether the roles of chairman and chief executive officer should be separated or held by the same person. Instead, the board prefers to maintain the flexibility to determine the leadership structure that serves the company best at any given time. As a result, the board has at times separated the roles of chief executive officer and chairman, and at times it has preferred that the chief executive officer simultaneously serve as chairman. Factors that can influence the board's determination include the chief executive officer's tenure in that position and his level of experience with the board and its activities.

- Retirement age and term limits. Our board maintains a retirement age of 70 for directors. The board has considered whether to institute term limits but concluded that term limits can result in the loss of directors who have developed, over a period of time, an in-depth understanding of the company and its strategic objectives, operations and challenges and, therefore, provide a valuable contribution to the board as a whole.

- Executive sessions and "lead director." Non-management directors of the board meet in executive session at each regularly scheduled meeting and at such other times as the committee recommends. Any management director, such as the chief executive officer, is excluded from these executive sessions. The chair of the appropriate board committee acts as chair at executive sessions at which the principal item to be considered is within the scope of authority of his or her committee or, if there is no single principal item, the chair of the Governance and Stockholder Relations Committee. This practice, by providing opportunities for leadership to more than one independent director, more fully engages the board members. Our board prefers this approach to the selection of one "lead director."

- Director independence. Our board has historically been comprised almost entirely of independent directors. In accordance with the NYSE listing standards, the committee has developed specified standards for determining independence. Those standards are listed beginning on page 6.

Governance Documents

The boards corporate governance guidelines, the charters of the boards committees, TIs code of business conduct and our code of ethics for its chief executive officer and senior financial officers are available on our web site at www.ti.com/corporategovernance. Stockholders may request copies of these documents free of charge by writing to Texas Instruments Incorporated, P.O. Box 660199, MS 8657, Dallas, Texas, 75266-0199, Attn: Investor Relations.

BOARD ORGANIZATION

Board and Committee Meetings

During 2007, the board held nine meetings. The board has three standing committees described below. The committees of the board collectively held 24 meetings in 2007. Overall attendance at board and committee meetings was approximately 99 percent.

Committees of the Board

Audit Committee. The Audit Committee is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. All members of the Audit Committee are independent under the rules of the NYSE and the boards corporate governance guidelines. From January 1, 2007, to April 19, 2007, the Committee members were Ms. Patsley (Chair), Ms. Cox, Mr. Fronterhouse and Mr. Sanders. Mr. Fronterhouse, having reached the age of 70, was ineligible under the companys by-laws to stand for reelection at the companys 2007 annual meeting. Since April 19, 2007, the members of the Committee have been Ms. Patsley (Chair), Ms. Cox and Mr. Sanders. The Audit Committee is generally responsible for:

- Appointing, compensating, retaining and overseeing TIs independent registered public accounting firm.
- Reviewing the annual report of TIs independent registered public accounting firm related to quality control.
- Reviewing TIs annual reports to the SEC, including the financial statements and the Managements Discussion and Analysis portion of those reports, and recommending appropriate action to the board.
- Reviewing TIs audit plans.
- Reviewing before issuance TIs news releases regarding annual and interim financial results and discussing with management any related earnings guidance that may be provided to analysts and rating agencies.
- Discussing TIs audited financial statements with management and the independent registered public accounting firm, including a discussion with the firm regarding the matters required to be discussed by Statement of Auditing Standards No. 61.
- Reviewing relationships between the independent registered public accounting firm and TI in accordance with Independence Standards Board Standard No. 1.
- Reviewing and discussing the adequacy of TIs internal accounting controls and other factors affecting the integrity of TIs financial reports with management and with the independent registered public accounting firm.
- Creating and periodically reviewing TIs whistleblower policy.
- Reviewing TIs risk assessment and risk management policies.

- Reviewing TIs compliance and ethics program.
- Reviewing a report of compliance of management and operating personnel with TIs code of business conduct, including TIs conflict of interest policy.
- Reviewing TIs non-employee-related insurance programs.
- Reviewing changes, if any, in major accounting policies of the company.
- Reviewing trends in accounting policy changes that are relevant to the company.
- Reviewing the companys policy regarding investments and financial derivative products.

The board has determined that all members of the Audit Committee are financially literate and have financial management expertise, as the board has interpreted such qualifications in its business judgment. In addition, the board has designated Ms. Patsley as the audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended.

The Audit Committee met six times in 2007. The Audit Committee holds regularly scheduled meetings and reports its activities to the board. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. The committee also continued its long-standing practice of meeting directly with our internal audit staff to discuss the audit plan and to allow for direct interaction between Audit Committee members and our internal auditors. Please see page 49 for a report of the committee.

Compensation Committee. The Compensation Committee consists of three independent directors. Since January 1, 2007, the committee members have been Mr. Carp (Chair), Ms. Simmons and Ms. Whitman. The committee is responsible for:

- Reviewing and approving company goals and objectives relevant to CEO compensation.
- Evaluating the CEOs performance in light of those goals and objectives.
- Setting the compensation of the CEO and other executive officers.
- Overseeing administration of employee benefit plans.
- Making recommendations to the board regarding:
- Institution and termination of, revisions in and actions under employee benefit plans that (i) increase benefits only for officers of the company or disproportionately increase benefits for officers of the company more than other employees of the company, (ii) require or permit the issuance of the companys stock or (iii) the board must approve.
- Reservation of company stock for use as awards of grants under plans or as contributions or sales to any trustee of any employee benefit plan.
- Purchase of company stock in connection with employee benefit plans.
- Taking action as appropriate regarding the institution and termination of, revisions in and actions under employee benefit plans that are not required to be approved by the board.

The Compensation Committee holds regularly scheduled meetings, reports its activities to the board, and consults with the board before setting annual executive compensation. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. During 2007, the committee met nine times. Please see page 30 for a report of the committee.

In performing its functions, the committee is supported by the companys Human Resources organization. The committee has the authority to retain any advisors it deems appropriate to carry out its responsibilities. The committee retained Pearl Meyer & Partners as its compensation consultant for the 2007 compensation cycle. The committee instructed the consultant to advise it directly on executive compensation philosophy,

strategies, pay levels and decision-making processes. Additionally, the committee instructed the consultant to assist the company's Human Resources organization in its support of the committee on such items as identifying peer-group companies, analyzing the market level of compensation and developing compensation recommendations relating to the CEO and other executive officers.

The Compensation Committee considers it important that its compensation consultant's objectivity not be compromised by other business engagements with the company or its management. In support of this belief, the committee adopted a policy in June 2007 on compensation consultants. In summary, the policy states:

- The committee's executive compensation consultant will act pursuant to directions and instructions of the Compensation Committee, and be subject to retention and dismissal only by the committee. The committee will have sole authority to set the consultant's fees and other terms of the engagement, although the committee Chair may approve increases in the budget for the engagement, subject to informing the committee of any such approval.

- If it is proposed that the consultant (or any affiliate) perform services to TI beyond the engagement for the committee, then the proposal must be submitted to the committee or its Chair for approval before those services begin. Those services will be approved only if the committee or Chair, as applicable, is satisfied that they will not compromise the consultant's objectivity and that a reasonable alternative does not exist.

- At least once annually, the committee will confirm that in its judgment, the consultant is independent of the company and its management. In this connection, the committee will consider (i) the amount of fees paid to the consultant and any affiliated firm for all services rendered during the past three years, (ii) whether the consultant or any affiliate provided services beyond those for the committee during the preceding year and, if so, the extent of those services, and (iii) any other factors that the committee considers relevant to the independence of the consultant.

During 2007, neither the consultant nor any of its affiliates performed services for TI other than pursuant to the engagement by the committee.

The Compensation Committee considers executive compensation in a multistep process that involves the review of market information, performance data and possible compensation levels over several meetings leading to the annual determinations in January. Before setting executive compensation, the committee reviews the total compensation and benefits of the executive officers and considers the impact that their retirement, or termination under various other scenarios, would have on their compensation and benefits.

The CEO and the senior vice president responsible for Human Resources, who is an executive officer, are regularly invited to attend meetings of the committee. The CEO is excused from the meeting during any discussion of his own compensation. No executive officer determines his or her own compensation or the compensation of any other executive officer. As members of the board, the members of the committee receive information concerning the performance of the company during the year and interact with our management. During the committee's deliberations on executive compensation, the CEO gives the committee and the board an assessment of his own performance during the year just ended. He also reviews the performance of the other executive officers (except the chairman) with the committee and makes recommendations regarding their compensation. The senior vice president responsible for Human Resources assists in the preparation of and reviews the compensation recommendations made to the committee other than for her compensation.

The Compensation Committee's charter provides that it may delegate its power, authority and rights with respect to TI's long-term incentive plans, employee stock purchase plan and employee benefit plans to (i) one or more committees of the board established or delegated authority for that purpose; or (ii) employees or committees of employees except that no such delegation may be made with respect to compensation of the company's executive officers.

Pursuant to that authority, the Compensation Committee has delegated to a special committee established by the board the authority to grant stock options and restricted stock units under the company's long-term incentive plans, subject to limits established by the committee. The sole member of the special committee is

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Mr. Templeton. With respect to each of TI's two long-term incentive plans, the special committee is authorized to grant, amend or terminate (i) up to 500,000 restricted stock units per year and (ii) stock options and restricted stock units for an aggregate amount up to 2 million shares per year. The special committee has no authority to grant, amend or terminate any form of compensation to TI's executive officers. The special committee has typically used its delegated authority to make grants of stock options as needed between regularly scheduled meetings of the Compensation Committee to meet the requirements under certain foreign laws that the grants be made only during certain periods as a condition to qualifying for favorable tax treatment. The Compensation Committee reviews the grant activity of the special committee.

Governance and Stockholder Relations Committee. All members of the Governance and Stockholder Relations Committee are independent. Since January 1, 2007, the committee members have been Mr. Boren (Chair), Mr. Adams and Mr. Goode. The Governance and Stockholder Relations Committee is generally responsible for:

- Making recommendations to the board regarding:
- The development and revision of our corporate governance principles.
- The size, composition and functioning of the board and board committees.
- Candidates to fill board positions.
- Nominees to be designated for election as directors.
- Compensation of board members.
- Organization and responsibilities of board committees.
- Succession planning by the company.
- Issues of potential conflicts of interest involving a board member raised under TI's conflict of interest policy.
- Election of executive officers of the company.
- Topics affecting the relationship between the company and stockholders.
- Public issues likely to affect the company.
- Responses to proposals submitted by stockholders.
- Reviewing:
- Contribution policies of the company and of the TI Foundation.
- Revisions to TI's code of ethics.
- Electing officers of the company other than the executive officers.
- Overseeing an annual evaluation of the board and the committee.

The Governance and Stockholder Relations Committee met nine times in 2007. The Governance and Stockholder Relations Committee holds regularly scheduled meetings and reports its activities to the board. The dates on which meetings will occur are generally set three years in advance to coincide with board meetings. Please see page 5 for a discussion of stockholder nominations and communications with the board.

DIRECTOR COMPENSATION

The Governance and Stockholder Relations Committee has responsibility for reviewing and making recommendations to the board on compensation for non-employee directors. The board makes the final determination of compensation for non-employee directors. The committee has no authority to delegate its responsibility regarding director compensation. In carrying out this responsibility it is supported by TIs Human Resources organization. The chairman, the CEO, the senior vice president responsible for Human Resources and the Secretary also review the committees recommendations. The chairman and CEO also vote, as members of the board, on the compensation of non-employee directors.

The compensation arrangements for the non-employee directors are:

- Annual retainer of $80,000 for board and committee service.
- Additional annual retainer of $20,000 for the chair of the Audit Committee.
- Additional annual retainer of $10,000 for each of the chairs of the Compensation Committee and the Governance and Stockholder Relations Committee.
- Annual grant of a 10-year stock option to purchase 7,000 shares of TI common stock pursuant to the terms of the Texas Instruments 2003 Director Compensation Plan (Director Plan), which was approved by stockholders in April 2003. The exercise price of the option is the closing price of the companys common stock on the date of grant. These nonqualified options become exercisable in four equal annual installments beginning on the first anniversary of the grant and also will become fully exercisable in the event of a change in control (as defined in the Director Plan) of TI.
- Annual grant of 2,500 restricted stock units pursuant to the terms of the Director Plan. The restricted stock units vest on the fourth anniversary of their date of grant and upon a change in control as defined in the Director Plan. If a director is not a member of the board on the fourth anniversary of the grant, restricted stock units will nonetheless settle on such anniversary date if the director had completed eight years of service prior to termination or the directors termination was due to death, disability or ineligibility to stand for reelection under the companys by-laws. The director may defer settlement of the restricted stock units at his or her election. Upon settlement, the director will receive one share of TI common stock for each restricted stock unit. Dividend equivalents are paid on the restricted stock units at the same rate as dividends on TI common stock.
- $1,000 per day compensation for other activities designated by the chairman.

The board has determined that grants of equity compensation to non-employee directors should be timed to occur when grants are made to our U.S. employees in connection with the annual compensation review process. Accordingly, equity grants to non-employee directors are made in January. Please see the discussion regarding the timing of equity compensation grants in the Compensation Discussion and Analysis on pages 26-27.

Directors are not paid a fee for meeting attendance, but we reimburse non-employee directors for their travel, lodging and related expenses incurred in connection with attending board, committee and stockholders meetings and other designated TI events. In addition, non-employee directors may travel on company aircraft to and from these meetings and other designated events. On occasion, directors spouses are invited to attend board events; the spouses expenses incurred in connection with attendance at those events are also reimbursed.

Under the Director Plan, some directors have chosen to have all or part of their cash compensation deferred until they leave the board (or certain other specified times). These deferred amounts were credited to either a cash account or stock unit account. Cash accounts earned interest from TI at a rate currently based on Moodys Seasoned Aaa Corporate Bonds. For 2007, that rate was 5.42 percent. Stock unit accounts fluctuated in value with the underlying shares of TI common stock, which will be issued after the deferral period. Dividend equivalents are paid on these stock units. Beginning in 2007, directors were given the opportunity to defer their annual grant of restricted stock units.

We have arrangements with certain customers whereby our employees may purchase specific consumer products containing TI manufactured components at discounted pricing. Under these arrangements, directors were entitled to participate on the same terms and conditions available to employees.

Non-employee directors are not eligible to participate in any TI-sponsored pension plan.

2007 Director Compensation

The following table shows the compensation of all persons who were non-employee members of the board during 2007 for services in all capacities to TI in 2007, except as otherwise indicated.

Name	Fees Earned or Paid in Cash ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation ($)(5)	Total ($)
J. R. Adams	$ 80,000	$70,800	$67,830	0	0	$ 7,699	$226,329
D. L. Boren	$ 90,002	$70,800	$67,830	0	0	$20,290	$248,922
D. A. Carp	$ 90,000	$70,800	$67,830	0	0	$12,227	$240,857
C. S. Cox	$ 80,000	$64,900	$76,990	0	0	$ 1,450	$223,340
G. W. Fronterhouse (1)	$ 26,668	$70,800	$67,830	0	0	$ 6,796	$172,094
D. R. Goode	$ 80,000	$70,800	$67,830	0	0	$17,146	$235,776
P. H. Patsley	$100,000	$64,900	$76,990	0	0	$ 1,450	$243,340
W. R. Sanders	$ 80,000	$70,800	$67,830	0	0	$12,545	$231,175
R. J. Simmons	$ 80,000	$70,800	$82,643	0	0	$ 6,130	$239,573
C. T. Whitman	$ 80,000	$64,900	$76,990	0	0	$ 1,450	$223,340

(1) Mr. Fronterhouse reached the age of 70 before the 2007 annual meeting and, therefore, was ineligible under the company's by-laws to stand for re-election at that meeting. He ceased to be a director of the company on April 19, 2007.

(2) Includes amounts deferred at the director's election.

(3) Shown is the expense recognized in TI's 2007 financial statements in accordance with Statement of Financial Accounting Standard (SFAS) 123(R) for all outstanding awards relating to the named individual. In accordance with SEC rules, no estimates were made for forfeitures in calculating these amounts. For individuals who are considered retirement eligible (directors with eight years of service), the SFAS 123(R) expense is recognized immediately; consequently, the table includes the full expense of the 2007 restricted stock grant. For individuals who are not retirement eligible, the SFAS 123(R) expense is recognized over a one-year period from date of grant; consequently, the table includes a portion of the expense for the 2007 restricted stock grant. Ms. Simmons and Messrs. Adams, Boren, Carp, Goode and Sanders are retirement eligible. Mr. Fronterhouse was retirement eligible during his 2007 board service. The grant date fair value of the restricted stock units granted in 2007 calculated in

accordance with SFAS 123(R) is $70,800. The discussion of the assumptions used for purposes of calculating the SFAS 123(R) expense and the grant date fair value appears on pages 23-26 of Exhibit 13 to TIs annual report on Form 10-K for the year ended December 31, 2007.

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The table below shows the aggregate number of shares underlying outstanding restricted stock units held by the named individuals as of December 31, 2007.

Name	**Restricted Stock Units (in shares)**
J. R. Adams	21,012
D. L. Boren	25,380
D. A. Carp	11,164
C. S. Cox	4,500
G. W. Fronterhouse	2,500
D. R. Goode	16,132
P. H. Patsley	4,500
W. R. Sanders	12,100
R. J. Simmons	10,500
C. T. Whitman	4,500

Each restricted stock unit represents the right to receive one share of TI common stock. For restricted stock units granted prior to 2007, shares are issued at the time of retirement from the board or upon the earlier of termination of service from the board after completing eight years of service or death or disability. For information regarding share issuances under restricted stock units granted after 2006, please see the discussion on page 14.

(4) Shown is the expense recognized in TIs 2007 financial statements in accordance with SFAS 123(R) for all outstanding grants relating to the named individual. In accordance with SEC rules, no estimates were made for forfeitures in calculating these amounts. For individuals who are retirement eligible, the expense is recognized over a six month period; consequently, the table includes the full expense of the 2007 stock option grant. For individuals who are not retirement eligible, the table includes a portion of the expense for the 2006 and 2007 stock option grants. The grant date fair value of the options granted in 2007 calculated in accordance with SFAS 123(R) is $67,830. The discussion of the assumptions used for purposes of calculating the SFAS 123(R) expense and the grant date fair value appears on pages 15 and 23-26 of Exhibit 13 to TIs annual report on Form 10-K for the year ended December 31, 2007.

The table below shows the aggregate number of shares underlying outstanding stock options held by the named individuals as of December 31, 2007.

Name	**Options (in shares)**
J. R. Adams	112,000
D. L. Boren	64,500
D. A. Carp	112,000
C. S. Cox	37,000
G. W. Fronterhouse	112,000
D. R. Goode	112,000

P. H. Patsley	37,000
W. R. Sanders	112,000
R. J. Simmons	92,000
C. T. Whitman	52,000

The terms of these options are set forth on page 14 except that for options granted before November 2006, the exercise price is the average of the high and low price of the companys common stock on the date of grant.

(5) All Other Compensation in 2007 consists of the annual cost of premiums for life, medical, travel and accident insurance policies and, for certain individuals, costs related to the Director Award Program. Each director whose service commenced prior to June 20, 2002, is eligible to participate in the Director Award Program, a charitable donation program under which we will contribute a total of $500,000 per eligible director to as many as three educational institutions recommended by the director and approved

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by us. The contributions are made following the directors death. Directors receive no financial benefit from the program, and all charitable deductions belong to the company. In accordance with SEC rules, we have included the companys annual costs under the program in All Other Compensation of the directors who participate. These costs include third-party administrator fees for the program and premiums on life insurance policies to fund the program. Messrs. Adams, Boren, Carp, Goode and Sanders participate in this program. Mr. Fronterhouse remains a participant in this program. The cost attributable to each of Messrs. Boren and Goode for their participation in the program was $11,741. For the other participating individuals, the attributable cost was below the $10,000 reporting threshold.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This section describes TIs compensation program for executive officers. It will provide insight into the following:

- The elements of the 2007 compensation program, how we selected them and how they relate to one another; and
- How we determined the amount of the compensation for 2007.

Currently, TI has 14 executive officers. These executives have the broadest job responsibilities and policy-making authority in the company. We hold them accountable for the companys performance and for maintaining a culture of strong ethics. Details of compensation for our CEO, CFO and the four other highest paid individuals who were executive officers in 2007 (collectively called the named executive officers) can be found in the tables beginning on page 30.1

Executive Summary

- The Compensation Committee of TIs board of directors is responsible for setting the compensation of all TI executive officers. The committee consults with the other independent directors on the board before setting annual compensation for the executives. The committee chair regularly reports on committee actions at board meetings.
- Executive compensation has cash and non-cash components. The cash components are base salary, profit sharing and performance bonus. The non-cash component is equity compensation, generally in the form of stock options and restricted stock units. In addition, executive officers get the same benefits as other U.S. employees and a few perquisites.

- All executive officers are employed at will. None has an employment contract.
- The committee follows these basic policies for the executive officers:
  - If company performance is better than competitors, total cash compensation (the sum of base salary, profit sharing and bonus) should be appropriately above market median; and if company performance is below competitors, total cash compensation should be appropriately below market median.
  - Within total cash compensation: base salary is generally set below the market median; profit sharing is determined according to a formula and depends on the level of companys annual operating margin; and bonuses bring total cash compensation to the appropriate level according to the policy described above.

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1 The named executive officers include one individual (Mr. Delfassy) who ceased to be an executive officer in January 2007 for whom information is included in the compensation tables beginning on page 30 as required by SEC rules. The decisions relating to his 2007 compensation are discussed on pages 28-29.

- The primary considerations in determining total cash compensation are the companys (i) one-year performance with respect to certain performance measures as compared to that of competitors and (ii) our strategic progress in key markets and with customers. A secondary consideration is the companys three-year performance under those measures and strategic progress. To a lesser extent, the committee also considers the performance of the organization for which the executive was responsible.
- The primary consideration in setting equity compensation is the level of equity compensation granted to similarly situated executive officers at a peer group of companies (the Comparator Group discussed below).

Program Objectives and Principles

The goal of the compensation program is to provide meaningful incentives that motivate executive officers to achieve profitable growth and build long-term capability that will deliver shareholder value. To achieve this goal, the compensation program has been designed based on the following principles:

1. Pay for performance specifically, pay better than the market median for performance that is superior to competitors, and pay below the market median for performance that is inferior to competitors.

2. Align executive priorities with those of stockholders deliver rewards in ways that encourage executives to think and act in both the near-term and long-term interests of our stockholders.

In a cyclical industry such as ours, in which market conditions and therefore growth and profitability can change quickly, we do not use formulas or pre-set thresholds or multiples to determine compensation awards. Instead, we focus on relative performance, comparing TIs results to those of peer group companies. The only exception to this is the profit sharing program applicable to all U.S. employees, which pays in accordance with a profitability formula.

Compensation Elements

The primary elements of our executive compensation program are as follows:

Near-term compensation, paid in cash

Element	Purpose	Policy	Terms
Base salary	Basic, least variable form of compensation	Pay slightly below market median in order to weight total compensation to the performance-based elements described below	Paid twice monthly
Profit sharing	Broad-based program designed to emphasize that each employee contributes to the company's profitability and can share in it	Pay according to a formula that focuses employees on a company goal, and at a level that will affect behavior For the last four years, the formula has been based on company-level annual operating margin. The formula was set by the TI board. The committee's practice has been not to adjust amounts earned under the formula. Profit sharing is part of total cash compensation. Because bonus is used to bring total cash compensation to the appropriate level, bonus is effectively reduced by the profit sharing payment.	Payable in a single payment shortly after the end of the performance year As in recent years, the formula for 2007 was: • Below 10% company-level annual operating margin ("Margin"): No profit sharing • At 10% Margin: Profit sharing = 2% of base salary • At Margin above 10%: Profit sharing increases by 0.5% of base salary for each percentage point of Margin between 10% and 24%, and 1% of base salary for each percentage point of Margin above 24%. The maximum profit sharing is 20% of base salary. In 2007, TI delivered Margin of 25.3 %. As a result, all employees, including executive officers, received profit sharing of 10.3% of base salary.

Element	Purpose	Policy	Terms
Performance bonus	To motivate executives and reward them according to the company's	Bonus is set to bring total cash compensation (base salary, profit sharing and bonus) to the	Determined by the committee and paid in a single payment after the performance year

	performance and the executive’s individual performance	appropriate level. The appropriate level for total cash compensation is determined primarily on the basis of relative one-year company performance on certain measures (revenue growth percent, operating margin and total shareholder return) and, about equally, our strategic progress in key markets and with customers.[2] The committee aims to pay total cash compensation appropriately above median if company performance is above that of competitors, and pay total cash compensation appropriately below median if company performance is below competitors. The competitors referred to above are those included in the Comparator Group of companies (discussed on page 20). Our general policy is to pay the bonus under the Texas Instruments Executive Officer Performance Plan (approved by stockholders in 2002). It provides for a bonus of 0.5% of TI consolidated income, as defined in the plan, to each executive officer, subject to the committee’s authority to reduce the amount to any level it considers appropriate, including $0. The committee reserves the right to pay bonuses outside the plan if it considers it in stockholder interests to do so. For 2007 performance, the committee awarded bonuses under the plan.	

Long-term compensation, awarded in equity

Element	Purpose	Policy	Terms
Non-qualified stock options and restricted stock units	Alignment with stockholders; long-term focus; retention, particularly with respect to restricted stock units	We generally grant a combination of stock options and restricted stock units, targeted at the median level of grants to executives in similar positions at the Comparator Group companies.	The terms and conditions of stock options and restricted stock units are summarized on pages 36-37.

Comparator Group for 2007

The Compensation Committee evaluates the companys performance and sets the level of executive compensation by comparison to a Comparator Group of companies. In evaluating TIs relative performance, the committee compares our performance with that of the competitors in the Comparator Group. To estimate the market level of pay, the committee considers compensation paid by companies in the entire list of Comparator Group to similarly situated executives.

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2 Total shareholder return refers to the percentage change in the value of a stockholders investment in a company over the relevant time period, as determined by dividends paid and the change in the companys share price during the period.

The Comparator Group is intended to reflect the markets in which we compete for key talent. It consists of semiconductor competitors and other high-technology companies. The competitors include large and small companies, both broad-based suppliers and niche suppliers, that operate in our key markets of analog and/or digital signal processors (DSPs) or offer technology that competes with our products.

Every three years, the committee resets the Comparator Group after thoroughly reviewing the companies for comparability in markets and performance. The committee carried out that review in 2006. Annually the committee considers whether it would be appropriate to make minor changes to the Comparator Group for example, because a Comparator Group company has divested its semiconductor operations or merged with another Comparator Group company. This process is designed to keep the Comparator Group generally stable but also reflective of changes in relevant markets.

The following companies were in the Comparator Group used in compensation decisions for 2007:

Comparator Group

Competitors:

Advanced Micro Devices, Inc.
Agere Systems Inc.*
Altera Corporation
Analog Devices, Inc.
Broadcom Corporation
Conexant Systems, Inc.
Fairchild Semiconductor International, Inc.
Freescale Semiconductor, Inc.*
Infineon Technologies AG ** ***
Intel Corporation
Intersil Corporation
Linear Technology Corporation
LSI Logic Corporation
Marvell Technology Group Ltd.** ***
Maxim Integrated Products, Inc.
Microchip Technology Incorporated
National Semiconductor Corporation
NVIDIA Corporation***
ON Semiconductor Corporation
QUALCOMM Incorporated
STMicroelectronics N.V.**
Xilinx, Inc.

Other technology companies:

Apple Computer, Inc.	Jabil Circuit, Inc.
Applied Materials, Inc.	Microsoft Corporation
Cisco Systems, Inc.	Motorola, Inc.
Dell Inc.	Oracle Corporation
EMC Corporation	Seagate Technology

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* Removed in June 2007 (Agere had been acquired by another Comparator Group company; Freescale had ceased to be a public company).

** For performance comparison only.

*** Added in June 2007 (determined appropriate to add to the Comparator Group because it is a TI competitor and its business profile had become more comparable to TIs).

Analysis of Compensation Determinations for 2007

In setting compensation, the committee applied the same policies to all named executive officers, except Mr. Delfassy where noted in the discussion below. The committee determined each named executive officers compensation separately, without using any formula to set one officers compensation at a higher or lower level than another officers.

Total Compensation Before finalizing the compensation of the executive officers, the committee performed a tally sheet review (i.e., a review covering all elements of compensation) in order to understand fully the impact that its decisions will have on the officers total pay. The tally sheets included estimates of the information contained in the Summary Compensation Table (page 30) and the information on page 26. Based on this review, the committee determined that the level of compensation was appropriate.

Base Salary In January 2007, the committee set the base salary of each named executive officer for 2007. In keeping with its strategy, the committee targeted base salary for the named executive officers below the estimated median level of salaries that will be paid to similarly situated executives of the Comparator Group of companies in 2007. As a result of the committees decisions, the 2007 rate of base salary for the officers was as follows[3]:

Officer	2007 annual rate*	Change from 2006 annual rate
Mr. Templeton	$935,040	+3.9%
Mr. March	$435,000	+14.4%
Mr. Engibous	$300,000	-16.7%
Mr. Lowe	$505,020	+6.3%**
Mr. Hames	$450,000	+3.4%

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* Effective February 1, 2007. The numbers in this column differ from the Salary column of the Summary Compensation Table on page 30 because (as required by SEC rules) the latter shows salary received in the year 2007, including amounts paid in January 2007 at the prior years annual rate.

** Compared with annual rate as adjusted in June 2006.

The salary differences among the named executive officers (except the chairman) were driven primarily by differences in the market rate of pay for each officer. The increase for Mr. Templeton reflected the expected increase in the market rate of base salary for CEOs.

The market level of CFO compensation has risen significantly in recent years. In increasing Mr. March's base salary by 14.4 percent, the committee was responding to that market movement.

There was limited market information about executive chairmen in the Comparator Group companies. The committee determined that it would be appropriate to set Mr. Engibous's base salary at an annual rate of $300,000, or a reduction of $60,000 from the rate for 2006, in recognition of the planned transition in his role.

In 2006, Mr. Lowe assumed additional job responsibilities. The increase in his base salary for 2007 was in recognition of his greater level of experience in his new role as well as the expected increase in the applicable market level of base salary.

The increase for Mr. Hames reflected the expected increase in the market rate of base salary for executive officers generally.

Equity Compensation — In January 2007, the committee granted long-term equity compensation to the named executive officers generally using a mix of stock options and restricted stock units. Except in the case of Mr. Delfassy, the amount of equity compensation was based primarily on the median number of shares that the Comparator Group was expected to grant to similarly situated executives in 2007.[4] In addition, the committee considered the intrinsic value of outstanding equity compensation held by the executive officer, noting both the unvested retention value and the vested amount.

In the market assessment, the committee compared "NQ Equivalent" grant levels of the Comparator Group with those of TI. The "NQ Equivalents" were calculated by treating each option share as 1 NQ Equivalent, and each restricted stock unit as 3 NQ Equivalents. This 3:1 ratio approximates the relative accounting expense of granting one restricted stock unit as compared to an option for one share. In its grant decisions, the committee targeted the range between the 40th and 60th percentile of NQ Equivalents expected to be granted by the Comparator Group.

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3 Mr. Delfassy's base salary for 2007 is discussed on page 29.

4 For a discussion of the committee's decision with respect to 2007 equity compensation for Mr. Delfassy, please see page 29.

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Please see the Grants of Plan-Based Awards in 2007 table on page 33 for details concerning the grants, including the exercise price of the stock options. The table below presents additional information, specifically, the changes in the NQ Equivalent levels as compared to 2006.

Officer	Year	Stock Options (in shares)	Restricted Stock Units (in shares)	NQ Equivalents	Change in NQ Equivalents (2006 to 2007)
Mr. Templeton	2007	270,000	150,000	720,000	-10%
	2006	350,000	150,000	800,000	
Mr. March	2007	85,000	35,000	190,000	+8.6%
	2006	85,000	30,000	175,000	
Mr. Engibous	2007	120,000	0	120,000	-55.6%
	2006	270,000	0	270,000	

Mr. Lowe	2007	100,000	60,000	280,000	-49.1%
	2006	100,000	150,000	550,000*	
Mr. Hames	2007	75,000	45,000	210,000	-8.7%
	2006	80,000	50,000	230,000	

* Includes a June 2006 retention grant of 100,000 restricted stock units made in connection with his assuming additional responsibilities. Excluding the retention grant, NQ Equivalents were 12 percent higher in 2007 than in 2006.

The differences in the equity granted to our named executive officers were primarily the result of differences in the applicable market level of equity compensation for their positions. In responding to anticipated changes in market levels of equity compensation, the committee believed it was appropriate generally to grant proportionally fewer shares under stock options while maintaining the number of restricted stock units, because of the stronger retention effect of restricted stock unit awards.

The committee made its grant decisions in terms of specific numbers of restricted stock units and stock option shares. However, before approving the awards, the committee considered the estimated value of the grants it intended to make. The value was estimated using the same methodology used for financial accounting. The committee considered the value in order to assess the financial impact of the grants on the company and to confirm that the value was within an acceptable range as compared with the anticipated value of awards granted by the Comparator Group to similarly situated executives. The committee also reviewed the total amount of equity compensation held by the officers in order to assess the retention value of outstanding unvested grants. In making these assessments, the committee used its judgment and did not apply any formula, threshold or maximum. These considerations did not result in an adjustment of the proposed awards from the targeted levels, which the committee considered to be appropriate.

In setting equity compensation levels for Mr. Templeton, the committee believed that equity compensation levels for CEOs would be lower in 2007 than in 2006. Exercising its judgment, the committee determined that a 10 percent reduction in the number of NQ Equivalents for Mr. Templeton would be reasonable in anticipation of the decline in the market level. The committee held the number of restricted stock units at the same level as 2006 (150,000 shares) for the reasons stated above, and, therefore, the entire 10 percent reduction in NQ Equivalents was made with respect to the stock option grant.

Perceiving a continuation of the trend toward higher levels of equity compensation for chief financial officers in 2007 as compared with 2006, the committee decided to grant Mr. March more equity compensation than in the previous year. The increase (5,000 restricted stock units) was focused on the restricted stock unit award because of the greater retention effect of such awards. As a result, the number of stock options granted to Mr. March was unchanged from last year.

In response to the continued evolution of the chairmans role, the committee decided to grant Mr. Engibous a stock option for fewer shares than in 2006. Exercising its judgment, the committee set the level of the grant at 120,000 shares, a reduction of about 55 percent from the prior years grant.

The approximately 50-percent decrease in the number of NQ Equivalents for Mr. Lowe from 2006 to 2007 is attributable to an off-cycle retention grant that he received in June 2006. Excluding the retention grant, NQ Equivalents were 12 percent higher in 2007 than 2006 because of his additional job responsibilities. For increased retention, the committee granted more restricted stock units in 2007 than in January 2006 while holding the number of shares under stock options the same as in 2006.

Anticipating that the market level of equity compensation for business managers would decline in 2007, the committee decided to reduce the number of NQ Equivalents for Mr. Hames by about 9 percent. The committee believed that a slight reduction in the number of restricted stock units was appropriate to maintain approximately the same proportion of restricted stock units and stock options as in 2006. The rest of the reduction in NQ Equivalents was taken from the stock option grant.

All grants of equity compensation were made under the Texas Instruments 2000 Long-Term Incentive Plan, which stockholders approved in April 2000. The grants have the terms described on pages 36-37.

Bonus In January 2008, the committee set the 2007 bonus compensation for executive officers based on its assessment of 2007 performance. The committee considered the bonus amount specified by the Executive Officer Performance Plan. In deciding whether to reduce that amount, the committee used the following performance measures to assess the company:

- The relative one-year and three-year performance of TI as compared with competitor companies, as measured by:
- revenue growth,
- profit from operations as a percentage of revenue,
- total shareholder return; and
- The absolute one-year and three-year performance of TI on the above measures.

In addition, the committee considered our strategic progress by reviewing how competitive we are in key markets with our core products and technologies, as well as the strength of our relationships with key customers.

One-year relative performance on the three measures and one-year strategic progress were the primary considerations in the committees assessment of the companys 2007 performance. The performance measures were intended to provide an overview of our financial performance, as well as our success in pursuing our priorities. In total, this approach provided the committee with insight and knowledge to judge results and set compensation at the levels it considered commensurate with actual performance.

In the comparison of relative performance, the companies used were those identified above on page 20 as competitors in the Comparator Group.5

Consistent with the policy of holding the named executive officers accountable for company performance, this assessment of company-level performance was the principal factor in setting the officers bonus. For the officers other than the CEO and the chairman, the committee also considered, to a lesser extent, the 2007 performance of the organization for which the officer was responsible. The differences in the amounts awarded to our named executive officers were primarily the result of differences in the officers level of responsibility and the applicable market level of total cash compensation expected to be paid to similarly situated officers in the Comparator Group. In making these performance assessments, the committee did not apply any formula or performance targets. Instead, the committee considered the various factors and used its judgment.

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5 To the extent the companies had not released financial results for the year or most recent quarter, the committee based its evaluation on estimates and projections of the companies financial results for 2007.

Overall, the committee determined that TIs performance in 2007 put it well above the median of competitor companies in operating margin and total shareholder return. The committee also determined that TIs strategic position was strengthened and remains among the best in the semiconductor industry. Revenue growth was found to be about median on a three-year basis and below median on a one-year basis. After reviewing all these metrics, the committee applied its judgment and determined that, in total, performance in 2007 was about equivalent to 2006 and still well above the median of competitor companies. Below are details of the committees assessment.

Revenue and Margin

- TIs 2007 revenue declined 2.9 percent from 2006. Almost one point of this decline reflects managements decision to divest an underperforming product line. TIs revenue performance was below the median of competitor companies.

- Three-year compounded annual revenue growth was 6.2 percent, about the same as the median of competitor companies.
- One-year operating profit margin reached a new record in 2007 of 25.3 percent, in the top quartile of competitor companies. In dollars, profit from operations was 3.9 percent higher than in the prior year.
- Three-year average operating profit margin was 23.2 percent, above the median of competitor companies. In dollars, three-year compounded annual growth in profit from operations was 21.2 percent.
- Earnings per share grew 8.3 percent in 2007. This was the fifth consecutive year of growth in earnings per share, and the fifth successive year that earnings grew faster than revenue.

Total Shareholder Return

- One-year TSR was 17.0 percent, in the top quartile of competitor companies.
- Three-year TSR was 11.3 percent on a compounded annual basis, in the top quartile of competitor companies.
- The company returned cash to stockholders through stock repurchases of $4.9 billion, reducing outstanding shares by 7.4 percent. The company also increased the quarterly dividend rate by 150 percent, the fifth increase in four years.
- Even accounting for the above stock repurchases and dividend increases, the balance sheet remained robust, ending the year with cash and short-term investments of more than $2.9 billion.

Strategic Progress

- TIs position and recognition as a leader in analog semiconductors accelerated in 2007. This is the segment of the semiconductor market most important to the company for growth and greater profitability. Through acquisitions, TI gained technology that gave the company the ability to apply its analog semiconductors to new applications, such as power tools, wireless connections for the home and hybrid-electric automobiles. TI launched more than 500 new analog products, which will let the company reach new customers and deepen its relationships with existing customers. Maintaining a pipeline of new products is an important part of TIs strategy to grow and expand its market share in the analog sector. TIs revenue growth in high-performance analog semiconductors continued its four-year trend of substantially outpacing its most significant competitors, with an increase of 9 percent in 2007. In total, TI is the leading supplier of the complete chain of analog and digital semiconductors necessary for the electronic conversion and processing of real-world signals.
- Initiatives to apply both TIs analog and digital technology to new and fast-growing markets gained traction. In particular, TI applied its experience in signal processing, wireless and low power to help customers develop medical equipment that is precise, more portable and more energy-efficient. Revenue in this area, while small in total, grew about 20 percent in 2007. In safety and security applications, TI worked

with leading video analytics companies to develop systems that provide critical real-time information to alert public officials so they can respond in real time as opposed to relying on forensics after an event has occurred.

- Customer-centricity again gained momentum as a defining component of TIs culture. While this is primarily an outcome of employee commitment and dependable delivery of products, the expansion of sales networks in the emerging markets of China, India and Eastern Europe contributed to TIs ability to engage with a broader group of customers. The sales force in China increased by 13 percent and offices were established in three additional cities. The sales force doubled in India, and one new office was opened there. In Eastern Europe, three new offices and a customer support center were opened.

Performance Summary

	1-Year	3-Year
Revenue growth	-2.9%	6.2% CAGR
Profit from operations (PFO) growth	3.9%	21.2% CAGR
Operating margin	25.3%	23.2% average
Return on invested capital (ROIC)	25.1%	20.5% average
Dividend rate growth	150%	300%
Total shareholder return (TSR)	17.0%	11.3% CAGR

CAGR = compound annual growth rate
ROIC = PFO x (1 tax rate) / (assets non-debt liabilities)
One-year TSR % = [(Closing price of the companys stock at year-end 2007, plus dividends paid during 2007) divided by 2006 year-end closing price] minus 1, multiplied by 100
Three-year TSR CAGR % = [(Closing price of the companys stock at year-end 2007, plus dividends paid during 2005 through 2007) divided by 2004 year-end closing price] 1/3 minus 1, multiplied by 100

Based on its assessment of company performance, the committee determined that the bonuses of the named executive officers (other than Mr. Delfassy)[6] should be at the same level as for 2006. Before finalizing its decision, the committee considered the officers individual performance. The performance of the CEO and the chairman was judged according to the performance of the company. For the other officers, the committee also considered the factors described below in assessing individual performance. In making this assessment, the committee did not apply any formula or performance targets.

Mr. March is the chief financial officer. The committee noted the financial management of the company.

Mr. Lowe is responsible for the companys analog semiconductor product lines. The committee noted the financial performance of those product lines, including the companys analog market share, and the position of the operations strategically and with customers.

Mr. Hames is responsible for the companys core and catalog DSP product lines as well as RISC (Reduced Instruction Set Computing) microprocessors and microcontrollers. The committee noted the financial performance of the product lines, including the companys catalog DSP market share, and the position of the product lines strategically and with customers.

Taking account of the individual performance, the committee decided that it would still be appropriate to hold the bonus of each officer at the same level as for 2006. Before setting the bonuses, the committee also considered whether total cash compensation for 2007 would be at an appropriate level if bonuses were the same as last year. The committee considered the level of total cash compensation to be commensurate with the companys and the officers performance. Accordingly the bonuses were held at the same level as for 2006.

<u>Results of the Compensation Decisions</u> Results of the compensation decisions made by the committee relating to the named executive officers for 2007 as compared to 2006 (other than Mr. Delfassy, who ceased to be an executive officer in January 2007) are summarized in the following table. This table is provided as a supplement to the Summary Compensation Table on page 30 for investors who may find it useful to see the

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6 For a discussion of the bonus decision with respect to Mr. Delfassy, please see page 29.

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data presented in this form. Although the committee does not target a specific level of total compensation, it considers information similar to that in the table in order to ensure that the sum of these elements is, in its judgment, in a reasonable range. The principal differences between this table and the Summary Compensation

Table are explained in footnote 7 below.[7]

Officer	Year	Salary (Annual Rate)	Profit Sharing	Equity Compensation (Grant Date Fair Value)	Bonus	Total
Mr. Templeton	2007	$935,040	$95,822	$6,864,300	$2,300,000	$10,195,162
	2006	$900,000	$79,070	$8,965,500	$2,300,000	$12,244,570
Mr. March	2007	$435,000	$44,248	$1,814,850	$ 650,000	$ 2,944,098
	2006	$380,160	$33,344	$1,970,850	$ 650,000	$ 3,034,354
Mr. Engibous	2007	$300,000	$31,354	$1,162,800	$ 400,000	$ 1,894,154
	2006	$360,000	$31,606	$3,199,500	$ 400,000	$ 3,991,106
Mr. Lowe	2007	$505,020	$51,661	$2,668,200	$1,100,000	$ 4,324,881
	2006*	$475,200	$39,730	$5,712,000	$1,100,000	$ 7,326,930
Mr. Hames	2007	$450,000	$46,132	$2,001,150	$ 750,000	$ 3,247,282
	2006	$435,000	$38,213	$2,554,000	$ 750,000	$ 3,777,213

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* In June 2006, Mr. Lowe received a salary increase and a retention grant of restricted stock units in connection with his assuming additional responsibilities. For 2006, the amounts in the table are: his annual rate of salary as adjusted in June 2006; profit sharing for 2006; grant date fair value of all awards received in 2006; and bonus for 2006.

For each of the officers, the decline in the total shown in this table from 2006 to 2007 is primarily due to the lower grant date fair value of the equity compensation awards in 2007. The lower grant date fair value in 2007 for each of the officers other than Messrs. Engibous and Lowe is primarily due to the lower fair market value of TI common stock on the date of the annual grant of equity compensation in 2007 as compared to 2006. For Mr. Lowe, the lower grant-date fair value in 2007 is primarily due to a retention grant that he received in 2006. For Mr. Engibous, the lower grant date fair value in 2007 is primarily due to the lower number of shares under his option grant in 2007 as compared to the option grant in 2006.

Equity Dilution

The Compensation Committee's goal is to keep net annual dilution from equity compensation under 2 percent. "Net annual dilution" means the number of shares under equity awards granted by the committee each year to all employees (net of award forfeitures) as a percentage of the shares of the company's outstanding common stock. Equity awards granted by the committee in 2007 resulted in net annual dilution of 0.7 percent.

Policy on Equity Grant Timing

The Compensation Committee makes grant decisions for equity compensation at its January meeting each year. The dates on which these meetings occur are generally set three years in advance. The January meetings of the board and the committee generally occur in the week or two before we announce our financial results for the previous quarter and year.

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7 This table shows the annual rate of base salary as set by the committee (effective in February of the year). In the Summary Compensation Table, the "Salary" column shows the actual salary paid in the year. This table has separate columns for profit sharing and bonus. In the Summary Compensation Table, profit sharing and bonus are aggregated in the column for "Non-Equity Incentive Plan Compensation," in accordance with SEC requirements. This table shows the grant date fair value of equity compensation awarded in the year. Please see note 3 to the Grants of Plan-Based Awards in 2007 table for information about how grant-date fair value was calculated. In the

Summary Compensation Table, the "Stock Awards" and "Option Awards" columns show the expense recognized in the company's financial statements for the year under SFAS 123(R) and include past restricted stock unit and stock option grants held by the officer.

On occasion, the committee may grant stock options or restricted stock units to executives at times other than January. For example, it has done so in connection with job promotions and for purposes of retention.

We do not back-date stock options or restricted stock units. We do not accelerate or delay the release of information due to plans for making equity grants.

The Compensation Committee reviewed in 2007 its long-standing grant practices and considered whether changes would be appropriate to conform to the emerging consensus about best practices. As a result of the review, the committee decided in July 2007 to change its practices for future grants. Beginning in January 2008, if the Compensation Committee meeting falls in the same month as the release of the company's financial results, the grants approved at the meeting will be made effective on the later of (i) the meeting day or (ii) the third trading day after the release of results. Otherwise they will be made effective on the day of committee action. Previously all grants were made effective on the day of committee action. The exercise price of stock options will continue to be the closing price of TI stock on the effective date of the grant.

Benefits

Reflecting the company's culture of respect and value for all employees, the financial and health benefits received by executive officers are the same as those received by other U.S. employees except for the few benefits described below under the sub-heading Other Benefits in this section.

<u>Retirement Plans</u>

The executive officers participate in our retirement plans under the same rules that apply to other U.S. employees. We maintain these plans to have a competitive benefits program and for retention.

Like other established U.S. manufacturers, we have had a U.S. qualified defined benefit pension plan for many years. At its origin, the plan was designed to be consistent with those offered by other employers in the diverse markets in which we operated, which at the time included consumer and defense electronics as well as semiconductors and materials products. In order to limit the cost of the plan, we closed the plan to new participants in 1997. We gave U.S. employees as of November 1997 the choice to remain in the plan, or to have their benefits frozen in that plan and begin participating in an enhanced defined contribution plan. Mr. Templeton chose not to remain in the defined benefit plan. As a result, his benefits under that plan were frozen in 1997 and he participates in the enhanced defined contribution plan. Because Mr. Delfassy joined our U.S. payroll after 1997, he was not eligible for the defined benefit plan and instead participates in the enhanced defined contribution plan. The other named executive officers have continued their participation in the defined benefit pension plan.

The Internal Revenue Code (IRC) imposes certain limits on the retirement benefits that may be provided under a qualified plan. To maintain the desired level of benefits, we have a nonqualified defined benefit pension plan for participants