TEXAS INSTRUMENTS INC
Form DEF 14A
February 27, 2001

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 / /
Filed by a Party other than the Registrant /X/

Check the appropriate box:

/ / Preliminary Proxy Statement
/ / Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
/X/ Definitive 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)

Payment of Filing Fee (Check the appropriate box):

/X/ No fee required.

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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
APRIL 19, 2001

Dear Stockholders:

You are cordially invited to attend the 2001 ANNUAL MEETING OF STOCKHOLDERS ON THURSDAY, APRIL 19, 2001 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 such other matters as may properly come before the meeting.

Stockholders of record at the close of business on February 20, 2001 are entitled to vote at the annual meeting.

WE URGE YOU TO VOTE YOUR SHARES AS PROMPTLY AS POSSIBLE BY: (1) CALLING THE TOLL-FREE NUMBER, (2) ACCESSING THE INTERNET WEB SITE, OR (3) SIGNING, DATING AND MAILING THE ENCLOSED PROXY.

Sincerely,

/s/ JOSEPH F. HUBACH

Joseph F. Hubach
SENIOR VICE PRESIDENT,
SECRETARY AND
GENERAL COUNSEL

Dallas, Texas
February 27, 2001

TABLE OF CONTENTS

[LOGO]

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

PROXY STATEMENT
FEBRUARY 27, 2001

VOTING PROCEDURES

TI's board of directors requests your proxy for the annual meeting of stockholders on April 19, 2001. 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 we mentioned in the notice of annual meeting. This proxy statement and related proxy are being distributed on or about March 2, 2001.

If you come to the meeting, you can of course vote in person. But, if you don't come to the meeting, your shares can be voted only if you have returned a properly executed proxy or followed the telephone or Internet voting instructions. If you execute 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. Unless you withhold authority to vote for directors in your proxy, your shares will be voted for: JAMES R. ADAMS, DAVID L. BOREN, JAMES B. BUSEY IV, DANIEL A. CARP, THOMAS J. ENGIBOUS, GERALD W. FRONTERHOUSE, DAVID R. GOODE, WAYNE R. SANDERS and RUTH J. SIMMONS. Clayton K. Yeutter, a highly-valued director since 1992, has attained the age of 70 since his last election and is therefore ineligible under the company's by-laws to stand for reelection in 2001. Mr. Yeutter currently serves as the chair of the Stockholder Relations and Public Policy Committee and is a member of the Compensation Committee.

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.

[photo]

JAMES R. ADAMS DIRECTOR

Chair, Board Organization and Nominating Committee; member, Audit Committee.

Chairman of the board of the company from 1996 to April 1998. Group president, SBC Communications Inc. from 1992 until retirement in 1995; president and chief executive officer of Southwestern Bell Telephone Company, 1988-92. Director, Inet Technologies, Inc. and Storage Technology Corp.

[photo]

DAVID L. BOREN DIRECTOR

Member, Audit and Stockholder Relations and Public Policy Committees.

President of the University of Oklahoma since 1994. U.S. Senator, 1979-94;

Governor of Oklahoma, 1975-79. Director, AMR Corporation, Phillips Petroleum Company, Torchmark Corporation and Waddell & Reed, Inc.; chairman, Oklahoma Foundation for Excellence.

[photo]

JAMES B. BUSEY IV DIRECTOR

Chair, Audit Committee; member, Board Organization and Nominating Committee.

Retired from U.S. Navy as Admiral in 1989. President and chief executive officer, Armed Forces Communications and Electronics Association, 1992-96; Deputy Secretary, Department of Transportation, 1991-92; Administrator, Federal Aviation Administration, 1989-91. Director, Curtiss-Wright Corporation; trustee and vice-chairman, MITRE Corporation.

[photo]

DANIEL A. CARP DIRECTOR

Member, Audit and Board Organization and Nominating Committees.

Chairman of the board of Eastman Kodak Company since December 2000;

also, chief executive officer since January 2000 and president and director since 1997. Executive vice president and assistant chief operating officer of Eastman Kodak, 1995-97. Member, The Business Council.

2

[photo]

THOMAS J. ENGIBOUS CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Chairman of the board since April 1998; president and chief executive officer of the company since 1996. Joined the company in 1976; elected executive

vice president in 1993. Director, Catalyst and J.C. Penney Company, Inc.; member, The Business Council and The Business Roundtable; trustee, Southern Methodist University.

[photo]

GERALD W. FRONTERHOUSE DIRECTOR

Member, Board Organization and Nominating and Compensation Committees.

Investments. Former chief executive officer (1985-88) of First RepublicBank

Corporation. Chairman of the board and director, Hoblitzelle Foundation.

[photo]

DAVID R. GOODE DIRECTOR

Chair, Compensation Committee; member, Board Organization and Nominating Committee.

Chairman of the board and chief executive officer of Norfolk Southern Corporation since 1992; also, president since 1991. Director, Caterpillar, Inc., Delta Air Lines, Inc. and Georgia-Pacific Corporation; member, The Business Council and The Business Roundtable; trustee, Hollins University.

[photo]

WAYNE R. SANDERS DIRECTOR

Member, Compensation and Stockholder Relations and Public Policy Committees.

Chairman of the board of Kimberly-Clark Corporation since 1992; also, chief executive officer since 1991. Director, Adolph Coors Company, Coors Brewing Company and Chase Bank of Texas, N.A.; vice-chairman, board of trustees, Marquette University.

3

[photo]

RUTH J. SIMMONS DIRECTOR

Member, Audit and Stockholder Relations and Public Policy Committees.

President of Smith College since 1995. (President of Brown University, effective July 1, 2001.) Vice provost of Princeton University, 1992-95; provost of Spelman College, 1990-91. Director, Metropolitan Life Insurance Company, Pfizer, Inc. and The Goldman Sachs Group, Inc.; fellow, American Academy of Arts and Sciences; member, Council on Foreign Relations; trustee, Carnegie Corporation of New York.

DIRECTORS' AGES, SERVICE AND SHARE OWNERSHIP

The table below shows the ages and holdings of common stock of the directors and the year they became a director.

DIRECTOR	AGE	DIRECTOR SINCE	COMMON STOCK OWNERSHIP AT DECEMBER 31, 2000*
James R. Adams	61	1989	615,235
David L. Boren	59	1995	31,380
James B. Busey IV	68	1992	47,097
Daniel A. Carp	52	1997	21,164
Thomas J. Engibous	48	1996	2,814,327
Gerald W. Fronterhouse	64	1986	56,589

David R. Goode	60	1996	26,132
Wayne R. Sanders	53	1997	27,700
Ruth J. Simmons	55	1999	10,500
Clayton K. Yeutter	70	1992	49,780

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* Includes (a) shares that can be acquired within 60 days through the exercise of options by Mr. Adams, 528,500 shares, Mr. Boren, 8,500 shares, Mr. Busey, 12,500 shares, Mr. Carp, 12,500 shares, Mr. Engibous, 2,555,000 shares, Mr. Fronterhouse, 12,500 shares, Mr. Goode, 12,500 shares, Mr. Sanders, 12,500 shares, Ms. Simmons, 2,500 shares and Mr. Yeutter, 12,500 shares; (b) shares credited to profit sharing stock accounts for Mr. Adams, 3,341 shares and Mr. Engibous, 17,479 shares; and (c) shares subject to restricted stock unit awards for Mr. Adams, 18,512 shares, Mr. Boren, 22,880 shares, Mr. Busey, 22,880 shares, Mr. Carp, 8,664 shares, Mr. Engibous, 160,000 shares, Mr. Fronterhouse, 22,880 shares, Mr. Goode, 13,632 shares, Mr. Sanders, 9,600 shares, Ms. Simmons, 8,000 shares and Mr. Yeutter, 22,880 shares. Excludes shares held by a family member if a director has disclaimed beneficial ownership. Each director owns less than 1% of the company's common stock.

4

BOARD ORGANIZATION

BOARD AND COMMITTEE MEETINGS

During 2000, the board held 10 meetings. The board has four standing committees described below. Overall attendance at board and committee meetings was approximately 97%.

COMMITTEES OF THE BOARD

AUDIT COMMITTEE. A copy of the Audit Committee's charter (Statement of Responsibilities) is included as Exhibit A to this proxy statement. The Audit Committee is generally responsible for:

- Evaluating and recommending to the board the appointment and, where appropriate, replacement of the independent auditors of the company.

- Reviewing relationships between the independent auditors and the company (in accordance with Independence Standards Board Standard No. 1), discussing with the auditors such relationships and their impact on the auditors independence, and recommending that the board take appropriate action to satisfy itself of the auditors independence.

- Reviewing and recommending action by the board regarding the company's annual reports to the Securities and Exchange Commission, including the audited financial statements to be included in such reports.

- Discussing the company's audited financial statements with management and the independent auditors, including a discussion with the independent auditors regarding the matters required to be discussed by Statement of Auditing Standards No. 61.

- Reviewing the company's quarterly reports to the Securities and Exchange Commission, including a discussion of the interim financial statements with management and the independent auditors.

- Monitoring the company's news releases regarding annual and interim financial results by reviewing them before issuance, with the Committee acting as a whole or through its chair.

The Audit Committee met 6 times in 2000.

BOARD ORGANIZATION AND NOMINATING COMMITTEE. The Board Organization and Nominating Committee is generally responsible for:

- Making recommendations to the board regarding:
  - Nominees for election as directors.
  - Structure, size and composition of the board.
  - Compensation of board members.
  - Organization and responsibilities of board committees.
- Reviewing:
  - General responsibilities and functions of the board.
  - A desirable balance of expertise among board members.
  - Overall company organizational health, particularly succession plans for top management positions within TI.

Any stockholder who wishes to recommend a prospective board nominee for the committee to consider can write to Joseph F. Hubach, Secretary, Board Organization and Nominating Committee, Texas Instruments Incorporated, Post Office Box 660199, MS 8658, Dallas, Texas 75266-0199.

5

The Board Organization and Nominating Committee met 5 times in 2000.

COMPENSATION COMMITTEE. The Compensation Committee is generally responsible for:

- 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 or (ii) require or permit the issuance of the company's stock.
  - Revisions in and actions under employee benefit plans that the board must approve.
  - Reservation of company stock for use as awards or grants under plans or as contributions or sales to any trustee of an employee benefit plan.
  - Purchase of company stock in connection with employee benefit plans.
- Taking action as appropriate regarding:
  - Institution and termination of, revisions in, and actions under employee benefit plans that are not required to be approved by the board; administration of employee benefit plans and the approval and execution of employee benefit plan documents, contracts with employee benefit plan providers and other third parties.

- Changes in compensation of executive officers of the company.

The Compensation Committee met 7 times in 2000.

STOCKHOLDER RELATIONS AND PUBLIC POLICY COMMITTEE. The Stockholder Relations and Public Policy Committee is generally responsible for:

- Making recommendations to the board regarding:
  - Topics affecting the relationship between management and stockholders and public issues.
  - Responses to proposals submitted by stockholders.
  - Declaration of dividends and stock splits.
- Reviewing:
  - Contribution policies of the company and of the TI Foundation.
  - Revisions to TI's code of ethics.

The Stockholder Relations and Public Policy Committee met 5 times in 2000.

DIRECTORS COMPENSATION

CASH COMPENSATION

Directors who are not employees are paid each year:

- A retainer of $55,000 ($40,000 for board service, $15,000 for all committee service).
- $2,500 for attendance at the company's strategic planning conference.
- $2,500 for attendance at the company's annual planning conference.

Compensation for other activities, like visits to TI facilities and attendance at certain company events, is $1,000 per day. In 2000, the company made payments (an aggregate of $6,430) relating to premiums for life, medical, dental, travel and accident insurance policies covering directors.

DEFERRAL ELECTION

Subject to some limitations, directors can choose to have all or part of their compensation deferred until they leave the board (or certain other specified times). The deferred amounts are credited to either a cash account or stock unit account. Cash accounts earn interest from the company at a rate (currently based on published interest rates on certain corporate bonds) determined by the Board Organization and Nominating Committee. Stock unit accounts fluctuate in value with the underlying shares of company common stock, which will be issued after the deferral period.

RESTRICTED STOCK UNITS

Under the company's restricted stock unit plan for directors, new non-employee directors are given 2,000 restricted stock units (each representing one share of company common stock). The restricted stock units provide for issuance of company common stock at the time of retirement from the board, or upon earlier termination of service from the board after completing eight years of service or because of death or disability.

STOCK OPTIONS

Under the company's stock option plan for non-employee directors, non-employee directors are annually granted a 10-year option to purchase 10,000 shares of the company's common stock. The purchase price of the shares is 100% of the fair market value on the date of grant. These nonqualified options become exercisable in four equal annual installments beginning on the first anniversary date of the grant and also may become fully exercisable in the event of a change in control (as defined in the plan) of the company.

DIRECTOR AWARD PROGRAM

Each director who has been on the board for five years, and whose board membership ceases because of the mandatory retirement age or, in the case of non-employee directors, because of death or disability, can participate in a director award program. The program was established to promote the company's interest in supporting charitable institutions. The company may contribute a total of $500,000 per eligible director to up to three charitable institutions recommended by the director and approved by the company. The contributions will be made in five annual installments of $100,000 each following the director's death. Directors receive no financial benefit from the program, and all charitable deductions belong to the company.

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

The following table shows the compensation of the company's chief executive officer and each of the four other most highly compensated executive officers for services in all capacities to the company in 1998, 1999 and 2000.

	ANNUAL COMPENSATION				LONG-TERM COMPENS	
					AWARDS	
NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OTHER ANNUAL COMPEN-SATION (1)	RESTRICTED STOCK AWARDS (2)	STOCK OPTIONS (IN SHARES)(
T.J. Engibous	2000	$796,200	$1,300,000	--	0	700,000
Chairman,	1999	$744,170	$2,200,000	--	0	1,000,000
President & CEO	1998	$677,540	$1,800,000	--	0	800,000
R.K. Templeton	2000	$497,200	$ 900,000	--	0	400,000
Executive Vice	1999	$457,670	$1,500,000	--	0	600,000
President & Chief	1998	$407,540	$1,200,000	--	0	360,000
Operating Officer						
W.A. Aylesworth	2000	$365,400	$ 300,000	--	0	100,000
Senior Vice	1999	$365,400	$ 500,000	--	0	200,000
President,	1998	$365,400	$ 500,000	--	0	160,000
Treasurer & Chief						
Financial Officer						

M.J. Hames(5) Senior Vice President	2000	$268,000	$ 425,000	--	0	100,000
K.S. Lu	2000	$346,000	$ 450,000	--	0	140,000
Senior Vice	1999	$321,500	$ 650,000	--	0	200,000
President	1998	$292,000	$ 500,000	--	0	160,000

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(1) The dollar value of perquisites and other personal benefits for each of the named executive officers was less than the established reporting thresholds.

(2) As of December 31, 2000, the value of restricted stock units awarded to Messrs. Engibous, Templeton and Lu was $7,580,800, $5,685,600 and $7,201,760, respectively. The restricted stock units for Messrs. Templeton and Lu were awarded prior to their becoming executive officers. The restricted stock units awarded to Mr. Engibous are performance-based and will only be earned if the performance goals are achieved.

(3) The number of shares granted has been adjusted to give effect to the 2000 two-for-one stock split.

(4) During 2000, the company made payments in connection with split-dollar life insurance policies in the following amounts: Mr. Engibous, $58,416; Mr. Templeton, $14,771; and Mr. Aylesworth, $10,311. Also, the company made payments in connection with travel and accident insurance policies in the amount of $200 for each of the executive officers named in the summary compensation table.

During 2000, the company made matching contributions to 401(k) accounts in the amount of $3,400 for Messrs. Engibous, Aylesworth, Hames and Lu and $6,800 for Mr. Templeton.

8

For 2000, cash profit sharing payments were as follows: Mr. Engibous, $756,540; Mr. Templeton, $504,293; Mr. Aylesworth, $218,513; Mr. Hames, $231,795; and Mr. Lu, $251,490.

The company made a contribution (plus an ERISA reduction for which the company will provide an offsetting supplemental benefit) in the amount of $113,032 under the deferred contribution retirement plan for Mr. Templeton.

(5) Mr. Hames became an executive officer of the company in 2000.

TABLE OF OPTION GRANTS IN 2000

The following table shows stock options granted to the named executive officers in 2000. Additionally, in accordance with the rules of the Securities and Exchange Commission, the table shows the hypothetical gains or option spreads that would exist for the respective options. These gains are based on assumed rates of annual compound stock appreciation of 5% and 10% from the date the options were granted over the full option term.

POTENTIAL REALI
ASSUMED ANNUAL RAT
APPRECIATION FOR OPT

NAME	OPTIONS GRANTED (IN SHARES) (1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 2000	EXERCISE PRICE (PER SHARE)	EXPIR-ATION DATE	5% STOCK PRICE (PER SHARE) (2)	5% GAIN
T.J. Engibous	700,000	2.46%	$55.22	1/19/10	$89.95	$24,307,925
R.K. Templeton	400,000	1.41%	$55.22	1/19/10	$89.95	$13,890,243
W.A. Aylesworth	100,000	0.35%	$55.22	1/19/10	$89.95	$ 3,472,561
M.J. Hames	100,000	0.35%	$55.22	1/19/10	$89.95	$ 3,472,561
K.S. Lu	140,000	0.49%	$55.22	1/19/10	$89.95	$ 4,861,585

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(1) These nonqualified options become exercisable in four equal annual installments beginning on January 19, 2001, and also may become fully exercisable in the event of a change in control (as defined in the options) of the company. The number of shares granted and the exercise price per share have been adjusted to give effect to the 2000 two-for-one stock split. In some cases, the exercise price may be paid by delivery of already-owned shares and tax withholding obligations related to exercise may be paid in shares.

(2) The price of TI common stock at the end of the 10-year term of the stock options granted at a 5% annual appreciation would be $89.95, and at a 10% annual appreciation would be $143.22.

TABLE OF OPTION EXERCISES IN 2000 AND YEAR-END OPTION VALUES

The following table lists the number of shares acquired and the value realized as the result of option exercises in 2000 by the named executive officers. It also includes the number and value of the exercisable and unexercisable options as of December 31, 2000. The table contains values for "in-the-money" options, meaning a positive spread between the year-end share price of $47.38 and the exercise price.

NAME	SHARES ACQUIRED ON EXERCISE(1)	VALUE REALIZED	NUMBER OF UNEXERCISED OPTIONS AT DECEMBER 31, 2000		VALUE OF UN IN-THE-MONEY DECEMBER
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE
T.J. Engibous	536,000	$35,314,454	1,670,000	2,110,000	$60,356,200
R.K. Templeton	180,000	$13,449,348	1,610,000	1,170,000	$62,512,600
W.A. Aylesworth	152,000	$ 8,865,998	500,000	400,000	$18,823,100
M.J. Hames	200,000	$11,287,950	410,000	290,000	$15,820,800
K.S. Lu	110,000	$ 6,322,400	840,000	430,000	$33,382,600

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(1) The number of shares acquired upon exercise has been adjusted to give effect to the 2000 two-for-one stock split.

U.S. PENSION PLAN TABLE

The following table shows the approximate annual benefits relating to the company's U.S. pension plan that would be payable as of December 31, 2000 to employees in higher salary classifications for the average credited earnings and years of credited service indicated. It assumes retirement at age 65. Benefits are based on eligible earnings. Eligible earnings include salary and bonus as shown in the summary compensation table. Other elements of compensation shown in the summary compensation table or referred to in the footnotes to that table are not included in eligible earnings.

In 1997, the company's U.S. employees were given the option of continuing to participate in the pension plan or to participate in a new defined contribution retirement plan. Mr. Templeton chose to participate in the new plan. Accordingly, his benefits under the pension plan (discussed in footnote 1) were frozen as of December 31, 1997. Contributions to the new plan for Mr. Templeton's benefit are included in the summary compensation table.

AVERAGE CREDITED EARNINGS(1)	ESTIMATED ANNUAL BENEFITS UNDER PENSION PLAN FOR SPECIFIED YEARS OF CREDITED SERVICE(2)(3)					
	15 YEARS	20 YEARS	25 YEARS	30 YEARS	35 YEARS	40 YEARS
500,000	108,551	144,735	180,919	217,103	253,286	290,786
1,000,000	221,051	294,735	368,419	442,103	515,786	590,786
1,500,000	333,551	444,735	555,919	667,103	778,286	890,786
2,000,000	446,051	594,735	743,419	892,103	1,040,786	1,190,786
2,500,000	558,551	744,735	930,919	1,117,103	1,303,286	1,490,786
3,000,000	671,051	894,735	1,118,419	1,342,103	1,565,786	1,790,786

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(1) The average credited earnings is the average of the five consecutive years of highest earnings.

At December 31, 2000, the named executive officers were credited with the following years of credited service and had the following average credited earnings: Mr. Engibous, 23 years, $1,978,805; Mr. Aylesworth, 33 years, $795,493; Mr. Hames, 19 years, $642,364; and Mr. Lu, 26 years, $757,088. Mr. Templeton had 16 years of credited service and $536,761 in average credited earnings as of December 31, 1997.

10

(2) If the amount otherwise payable under the pension plan should be restricted by the applicable provisions of ERISA, the amount in excess of ERISA's restrictions will be paid by the company.

(3) The benefits under the plan are computed as a single life annuity beginning at age 65.

The amounts shown in the table reflect the offset provided in the pension plan under the pension formula adopted July 1, 1989 to comply with the social security integration requirements. The integration offset is $3,949 for 15 years of credited service, $5,265 for 20 years of credited service, $6,581 for 25 years of credited service, $7,898 for 30 years of credited service, $9,214 for 35 years of credited service, $9,214 for 40 years of credited service and $9,214 for 45 years of credited service.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the board of directors has furnished the following report on executive compensation paid or awarded to executive officers for 2000:

The company's executive compensation program is administered by the Compensation Committee of the board of directors (the Committee), which is composed of the individuals listed below, all of whom are independent directors of the company. The program consists of base salaries, annual performance awards and long-term compensation. At higher management levels, the mix of compensation is significantly weighted more to the performance-based components--annual performance awards and long-term compensation.

In determining the compensation of the executive officers, the Committee considered compensation practices of competitor companies (based on the best available data from as many competitor companies as practicable) and the relative performance of TI and competitor companies. The competitor companies are major high-technology competitors of the company. While many of these companies are included in the S&P Technology Sector Index appearing in the graph regarding total shareholder return on page 14, these companies are not the same as the companies comprising that index. The Committee also considered the contribution of each executive officer toward achieving the company's prior year and long-term strategic objectives; in this connection, the Chairman and CEO made recommendations regarding the components of each executive officer's compensation package except his own.

In its considerations, the Committee did not assign quantitative relative weights to different factors or follow mathematical formulae. Rather, the Committee exercised its discretion and made a judgment after considering the factors it deemed relevant. The Committee's decisions regarding 2000 executive compensation were designed to: (1) align the interests of executive officers with the interests of the stockholders by providing performance-based awards; and (2) allow the company to compete for and retain executive officers critical to the company's success by providing an opportunity for compensation that is comparable to the levels offered by competitor companies.

Section 162(m) of the Internal Revenue Code generally denies a deduction to any publicly held corporation for compensation paid in a taxable year to the company's CEO and four other highest compensated officers to the extent that the officer's compensation (other than qualified performance-based compensation) exceeds $1 million. The company believes the Executive Officer Performance Plan approved in April 1997 allows performance-based compensation for the company's executive officers that complies with the requirements for full deductibility under Section 162(m).

COMPENSATION COMPONENTS AND DETERMINATION

Compensation decisions for 2000 were made such that TI executive officers will receive a level of total annual compensation that, when compared to the total annual compensation of competitor companies, reflects the company's performance relative to those competitor companies. In order to weight more of total compensation to performance-based components, the Committee's base salary decisions are intended to provide salaries somewhat lower than the median level of salaries for similarly situated executive officers of competitor companies, or of divisions within competitor companies, of similar size (in terms of total revenues). Annual performance awards for 2000 were primarily driven by each individual's contribution to the company's primary strategic focus on the digital signal processing and analog markets, and its performance on three measures: profit from operations as a percent of revenues for the year, change in net revenues from the prior year, and total shareholder return for the year.

Guidelines for awards granted under TI's long-term incentive program were set with the intention of providing TI executive officers an opportunity for financial gain equivalent in value to the opportunity provided by similarly performing competitor companies through all their long-term compensation programs. The Committee, in its discretion, adjusts the awards considering each executive officer's individual contribution to the implementation of the strategic plan of the company.

BASE SALARY

The Committee reviewed base salaries for executive officers of competitor companies and set base salaries for its executive officers somewhat lower than competitive levels. Mr. Engibous' annual salary during 2000 was below the median annual salary of CEOs of competitor companies.

ANNUAL PERFORMANCE AWARD

The annual performance award varies significantly based on the company's profitability, revenue growth, and total shareholder return; the achievement of the strategic objectives of the company; and each individual's contribution toward that performance. The Committee considered rankings of estimates of competitor companies' 2000 performance compared to the company's performance, and granted annual performance awards to executive officers intended to approximate total annual compensation of executive officers in similarly performing competitor companies. As a result, Mr. Engibous received an annual performance award of $1,300,000.

LONG-TERM COMPENSATION

The Committee made long-term compensation determinations in January 2000. Stock options constitute TI's primary long-term incentive vehicle. Stock options granted in 2000 were granted at 100% of fair market value on the date of grant, have a 10-year term, do not become exercisable until one year after grant, and then become exercisable in four equal annual installments. Any value actually realized by an executive officer from an option grant depends completely upon increases in the price of TI common stock.

The Committee reviewed each officer's continuing contribution to achieving the strategic objectives of the company, and followed the guidelines for stock options by granting each officer options at a price per share of $55.22 (the market value of TI's common stock on January 19, 2000 (the date of grant), giving effect to the subsequent two-for-one stock split). The Committee intended for the stock option grants to recognize progress toward accomplishment of the strategic objectives and, since these stock options will result in increased compensation to an executive officer only if TI's stock price increases, focus the executive officers on building value for stockholders. Considering Mr. Engibous' continuing contribution to execution of the strategic plan for the company, the Committee granted Mr. Engibous an option to purchase 700,000 shares, resulting in a total long-term compensation opportunity comparable to those of CEOs of similarly performing competitor companies.

The ranking of total compensation (annual plus long-term) for Mr. Engibous as compared to the total compensation of CEOs of competitor companies was intended to approximate the estimated ranking of TI performance compared to the performance of competitor companies.

David R. Goode, Chair
Gerald W. Fronterhouse
Wayne R. Sanders
Clayton K. Yeutter

13

COMPARISON OF TOTAL SHAREHOLDER RETURN

This graph compares TI's total shareholder return with the S&P 500 Index and the S&P Technology Sector Index over a five-year period, beginning December 31, 1995, and ending December 31, 2000. The total shareholder return assumes $100 invested at the beginning of the period in TI common stock, the S&P 500 and the S&P Technology Sector Index. It also assumes reinvestment of all dividends.

CUMULATIVE 5-YEAR TOTAL RETURN*
Among Texas Instruments, S&P 500 Index
and S&P Technology Sector Index**

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	DEC-95	DEC-96	DEC-97	DEC-98	DEC-99	DEC-00
Texas Instruments	$100	$125	$178	$341	$771	$757
S&P 500(R)	$100	$123	$164	$211	$255	$232
S&P(R) Technology Sector Index	$100	$140	$177	$306	$536	$322

*Assumes that the value of the investment in TI common stock and each index was $100 on December 31, 1995, and that all dividends were reinvested.

**Year ending December 31.

14

FINANCIAL INFORMATION

FINANCIAL STATEMENTS

The consolidated financial statements and auditor's report, the management discussion and analysis of financial condition and results of operations, information concerning the quarterly financial data for the fiscal year ended December 31, 2000 and other information are attached as Exhibit B to this proxy statement.

INDEPENDENT AUDITORS

The board has, in accordance with the recommendation of its Audit Committee, chosen the firm of Ernst & Young LLP as independent auditors for the company. Representatives of Ernst & Young are expected to be present, and to be available to respond to appropriate questions, at the annual meeting. They have the opportunity to make a statement if they desire to do so; they have indicated that, as of this date, they do not.

AUDIT FEES. Ernst & Young's fees for our 2000 annual audit and review of interim financial statements were $4,202,000.

FINANCIAL INFORMATION SYSTEMS DESIGN AND IMPLEMENTATION FEES. Ernst & Young did not render any professional services to us in 2000 with respect to financial information systems design and implementation.

ALL OTHER FEES. Ernst & Young's fees for all other professional services rendered to us during 2000 were $5,951,000, including audit related services of $1,139,000 and non-audit services of $4,812,000. Audit related services included fees for employee benefit plans audits, due diligence on acquisitions, royalty audits, SEC registration statement review and accounting consultations. Non-audit services included fees for tax consultation, expatriate administration and tax preparation, and other consultations.

AUDIT COMMITTEE REPORT

The Audit Committee of the board of directors has furnished the following report:

The company's board of directors has adopted a written charter (Statement of Responsibilities) for the Audit Committee, which is included as Exhibit A to this proxy statement.

The board has determined that each member of the Committee is "independent," as defined in the listing standards of the New York Stock Exchange, with the exception of Mr. Adams. Mr. Adams, at the board's request, served as chairman of the board and an employee during a transition period (June 1996-April 1998) following the death of Jerry R. Junkins, the company's chairman of the board, president and chief executive officer. The board has determined, in accordance with the listing standards, that Mr. Adams' service on the Audit Committee is required by the best interests of the company and its stockholders because, in the board's opinion, he will exercise independent judgment and materially assist the function of the Committee.

As noted in the Committee's charter, the company's management is responsible for preparing the company's financial statements. The company's independent auditors are responsible for auditing the financial statements. The activities of the Committee are in no way designed to supersede or alter those traditional responsibilities. The Committee's role does not provide any special assurances with regard to the company's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors.

The Committee has reviewed and discussed the audited financial statements with management.

The Committee has discussed with the independent auditors, Ernst & Young, the matters required to be discussed by Statement of Auditing Standards No. 61, COMMUNICATION WITH AUDIT COMMITTEES.

The Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Standard No. 1, INDEPENDENCE DISCUSSIONS WITH AUDIT COMMITTEES, has considered the compatibility of nonaudit services with the auditors' independence, and has discussed with the auditors the auditors' independence.

Based on the review and discussions referred to above, the Committee recommended to the Board of Directors that the audited financial statements be included in the company's Annual Report on Form 10-K for 2000 for filing with the Securities and Exchange Commission.

James B. Busey IV, Chair
James R. Adams
David L. Boren
Daniel A. Carp
Ruth J. Simmons

16

ADDITIONAL INFORMATION

VOTING SECURITIES

As of February 20, 2001, 1,734,917,044 shares of the company's common stock were outstanding. This is the only class of capital stock entitled to vote at the meeting. Each holder of common stock has one vote for each share held. As stated in the notice of meeting, holders of record of the common stock at the close of business on February 20, 2001 may vote at the meeting or any adjournment of the meeting.

SHARE OWNERSHIP OF CERTAIN PERSONS

The following table shows (a) the only person that has reported beneficial ownership of more than 5% of the common stock of the company, and (b) the ownership of the company's common stock by the named executive officers, and all executive officers and directors as a group. Persons generally "beneficially own" shares if they have either the right to vote those shares or dispose of them. More than one person may be considered to beneficially own the same shares.

NAME AND ADDRESS	SHARES OWNED AT DECEMBER 31, 2000	PERCENT OF CLASS
FMR Corp. 82 Devonshire Street Boston, MA 02109	112,499,983(1)	6.5%
Thomas J. Engibous	2,814,327(2)	*
Richard K. Templeton	2,238,800(2)	*
William A. Aylesworth	900,948(2)	*
Michael J. Hames	602,945(2)	*
Keh-Shew Lu	1,997,337(2)	*
All executive officers and directors as a group	11,127,874(2)(3)	*

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* Less than 1%.

(1) The company understands that, as of December 31, 2000, (a) FMR Corp. and its chairman, Edward C. Johnson 3d, had sole dispositive power with respect to all of the above shares and FMR Corp. had sole voting power with respect to 6,218,811 of the above shares, and (b) the above shares include 105,302,872 shares beneficially owned by Fidelity Management & Research Company, a

wholly owned subsidiary of FMR Corp., as a result of acting as investment advisor to several investment companies.

(2) Includes (a) shares subject to acquisition within 60 days by Messrs. Engibous, Templeton, Aylesworth, Hames and Lu for 2,555,000, 2,090,000, 685,000, 535,000 and 1,025,000 shares, respectively, (b) shares credited to profit sharing stock accounts for Messrs. Engibous, Templeton, Aylesworth, Hames and Lu, in the amounts of 17,479, 10,688, 23,224, 6,713, and 16,684 shares, respectively, and (c) shares subject to restricted stock unit awards for Messrs. Engibous, Templeton and Lu, in the amounts of 160,000, 120,000 and 152,000 shares, respectively. Excludes shares held by a family member if a director or officer has disclaimed beneficial ownership.

(3) Includes (a) 9,525,800 shares subject to acquisition within 60 days, (b) 176,815 shares credited to profit sharing stock accounts, and (c) 661,928 shares subject to restricted stock unit awards.

17

CERTAIN BUSINESS RELATIONSHIPS

Joseph F. Hubach, senior vice president, secretary and general counsel of the company, is the brother of Francis P. Hubach, Jr., partner in charge of the Dallas office of the law firm of Jones, Day, Reavis & Pogue. The company engaged the services of Jones, Day, Reavis & Pogue during 2000.

COST OF SOLICITATION

The solicitation is made on behalf of the board of directors of the company. The company will pay the cost of soliciting these proxies. We will reimburse brokerage houses and other custodians, nominees and fiduciaries for reasonable expenses they incur in sending these proxy materials to you if you are a beneficial holder of our shares.

Without receiving additional compensation, officials and regular employees of the company may solicit proxies personally, by telephone, fax or E-mail from some stockholders if proxies are not promptly received. We have also hired Georgeson Shareholder Communications, Inc. to assist in the solicitation of proxies at a cost of $12,000 plus out-of-pocket expenses.

PROPOSALS OF STOCKHOLDERS

If you wish to submit a proposal for possible inclusion in the company's 2002 proxy material, we must receive your notice, in accordance with rules of the Securities and Exchange Commission, on or before November 2, 2001.

If you wish to submit a proposal at the 2002 annual meeting (but not seek inclusion of the proposal in the company's proxy material), we must receive your notice, in accordance with the company's by-laws, on or before January 19, 2002.

Suggestions from stockholders concerning the company's business are welcome and all will be carefully considered by the company's management. So that your suggestions receive appropriate review, the Stockholder Relations and Public Policy Committee from time to time reviews correspondence from stockholders and management's responses. This way, stockholders are given access at the board level without having to resort to formal stockholder proposals. Generally, the board prefers you present your views in this manner rather than through the process of formal stockholder proposals.

QUORUM REQUIREMENT

A quorum of stockholders is necessary to hold a valid meeting. If at least a majority of the shares of TI stock issued and outstanding and eligible to vote are present in person or by proxy, a quorum will exist.

VOTE REQUIRED

The nine nominees receiving the greatest number of votes cast by those entitled to vote will be elected.

We do not expect any matters to be presented for a vote at the annual meeting other than the election of directors. If you grant a proxy, the persons named in the proxy will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting. If any other matters are submitted at the meeting, an affirmative vote of the majority of the shares present in person or by proxy is necessary for approval.

Under Delaware law and the company's Restated Certificate of Incorporation and By-Laws, the aggregate number of votes entitled to be cast by all stockholders present in person or represented by proxy at the meeting, whether those stockholders vote FOR, AGAINST or abstain from voting,

18

will be counted for purposes of determining the minimum number of affirmative votes required for approval of such matters. The total number of votes cast FOR each of these matters will be counted for purposes of determining whether sufficient affirmative votes have been cast. An abstention from voting on a matter by a stockholder present in person or represented by proxy at the meeting has the same legal effect as a vote AGAINST the matter even though the stockholder or interested parties analyzing the results of the voting may interpret such a vote differently.

TELEPHONE AND INTERNET VOTING

SHARES DIRECTLY REGISTERED IN THE NAME OF THE STOCKHOLDER. Stockholders with shares registered directly with Computershare may vote telephonically by calling Computershare at (888) 776-5653 or may vote via the Internet at the following address on the World Wide Web:

www.computershare.com/us/proxy

SHARES REGISTERED IN THE NAME OF A BROKERAGE FIRM OR BANK. A number of brokerage firms and banks offer telephone and Internet voting options. These programs differ from the program provided by Computershare for shares registered in the name of the stockholder. Check the information forwarded by your bank, broker or other holder of record to see which options are available to you.

The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. The company has been advised by counsel that the telephone and Internet voting procedures that have been made available through Computershare are consistent with the requirements of applicable law. Stockholders voting via the Internet through Computershare should understand that there may be costs associated with electronic access, such as usage charges from telephone companies and Internet access providers, that must be borne by the stockholder.

By Order of the Board of Directors,

/s/ JOSEPH F. HUBACH

Joseph F. Hubach
Senior Vice President,

Secretary and
General Counsel

Dallas, Texas
February 27, 2001

EXHIBIT A

STATEMENT OF RESPONSIBILITIES AUDIT COMMITTEE

PURPOSE

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by the Company to any governmental or regulatory body or the public; the Company's systems of internal controls that management and the Board have established; and the Company's auditing, accounting and financial reporting processes generally.

> NOTE: The Company's management is responsible for preparing the Company's financial statements. The Company's independent auditors are responsible for auditing the financial statements. The activities of the Committee are in no way designed to supersede or alter those traditional responsibilities. Except to the extent required by the New York Stock Exchange, membership on the Committee does not call for the professional training or technical skills generally associated with career professionals in the fields of accounting and auditing. In addition, the Company's independent auditors and the internal audit staff have more available time and information than does the Committee. Accordingly, the Committee's role does not provide any special assurances with regard to the Company's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent auditors.

In discharging its oversight role, the Committee is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate, and to use the services of the independent or internal auditors and to retain outside counsel or other experts for this purpose.

MEMBERSHIP

The Committee will be composed of not less than three (3) members of the Board, all of whom, as noted below, meet the requirements of the New York Stock Exchange. The members and the chair and, if any, the vice chair shall be appointed by a majority of the whole Board.

A majority of the Committee will constitute a quorum for the transaction of business.

NYSE AUDIT COMMITTEE POLICY

The Committee will meet the requirements of the Audit Committee Policy of the New York Stock Exchange ("NYSE Policy"). In particular:

- The membership of the Committee will meet the requirements of the NYSE Policy.

- The independent auditors are ultimately accountable to the Board of Directors and the Committee.

- The Committee will evaluate and recommend to the Board the appointment and, where appropriate, replacement of the independent auditors for the Company and for the TI employee benefit trusts. The Board has the ultimate authority and responsibility to appoint and, where appropriate, replace the independent auditors.

- Annually, the Committee will:

  -- Review a formal written statement from the independent auditors of the Company delineating all relationships between the auditors and the Company (in accordance with Independence Standards Board Standard No. 1).

  -- Discuss with the independent auditors any disclosed relationships and their impact on the auditor's independence.

  -- Recommend that the Board of Directors take appropriate action in response to the auditor's report to satisfy itself of the auditor's independence.

- The Committee will review this Statement of Responsibilities annually in accordance with the requirements of the NYSE Policy.

OTHER FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

A. The Committee will review the following and recommend action by the Board:

1. The Company's annual reports to the Securities and Exchange Commission, including audited financial statements to be included in such reports.

2. Audited financial statements to be included in the Company's proxy statements and summary annual reports to stockholders.

3. Revisions in the Board's Statement of Policy on Conflict of Interest.

B. The Committee will do the following and periodically advise the Board:

1. Discuss the Company's audited financial statements with management and the independent auditors, including a discussion with the independent auditors regarding the matters required to be discussed by Statement of Auditing Standards No. 61.

2. Review the Company's quarterly reports to the Securities and Exchange Commission, including a discussion of the interim financial statements with management and the independent auditors.

3. Monitor the Company's news releases regarding annual and interim financial results by reviewing them before issuance, with the Committee acting as a whole or through its chair.

4. Engage in any activities that the Committee deems to be necessary or appropriate in furtherance of its purpose, functions and responsibilities.

EXHIBIT B

FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS
(MILLIONS OF DOLLARS, EXCEPT PER-SHARE AMOUNTS)

	FOR THE YEARS ENDED DECEMBER 31,		
INCOME	2000	1999	1998
Net revenues	$11,875	$9,759	$8,875
Operating costs and expenses:			
Cost of revenues	6,120	5,069	5,605
Research and development	1,747	1,379	1,265
Selling, general and administrative	1,669	1,556	1,549
Total	9,536	8,004	8,419
Profit from operations	2,339	1,755	456
Other income (expense) net	2,314	403	301
Interest on loans	75	76	76
Income before provision for income taxes and cumulative effect of an accounting change	4,578	2,082	681
Provision for income taxes	1,491	631	229
Income before cumulative effect of an accounting change	3,087	1,451	452
Cumulative effect of an accounting change	(29)	--	--
Net income	$ 3,058	$1,451	$ 452
Diluted earnings per common share:			
Income before cumulative effect of an accounting change	$ 1.73	$ .83	$ .26
Cumulative effect of an accounting change	(.02)	--	--
Net income	$ 1.71	$ .83	$ .26
Basic earnings per common share:			
Income before cumulative effect of an accounting change	$ 1.80	$ .86	$ .27
Cumulative effect of an accounting change	(.02)	--	--
Net income	$ 1.78	$ .86	$ .27

See accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS
(MILLIONS OF DOLLARS, EXCEPT PER-SHARE AMOUNTS)

	DECEMBER 31,	
BALANCE SHEET	2000	1999
ASSETS		

Current assets:		
Cash and cash equivalents	$ 745	$ 781
Short-term investments	3,258	2,045
Accounts receivable, less allowance for losses of $54 million in 2000 and $56 million in 1999	2,204	1,909
Inventories	1,233	894
Prepaid expenses	80	109
Deferred income taxes	595	615
Total current assets	8,115	6,353
Property, plant and equipment at cost	9,099	7,338
Less accumulated depreciation	(3,652)	(3,405)
Property, plant and equipment (net)	5,447	3,933
Investments	2,400	4,205
Goodwill and other acquisition-related intangibles	961	502
Deferred income taxes	106	41
Other assets	691	393
Total assets	$17,720	$15,427
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Loans payable and current portion long-term debt	$ 148	$ 331
Accounts payable and accrued expenses	1,921	1,722
Income taxes payable	323	270
Accrued retirement and profit sharing contributions	421	374
Total current liabilities	2,813	2,697
Long-term debt	1,216	1,099
Accrued retirement costs	378	797
Deferred income taxes	469	998
Deferred credits and other liabilities	256	258
Stockholders' equity:		
Preferred stock, $25 par value. Authorized--10,000,000 shares Participating cumulative preferred. None issued	--	--
Common stock, $1 par value. Authorized--2,400,000,000 shares Shares issued: 2000--1,733,237,248; 1999--851,448,197	1,733	851
Paid-in capital	1,185	877
Retained earnings	9,323	6,406
Less treasury common stock at cost. Shares: 2000--1,184,880; 1999--1,034,757	(93)	(109)
Accumulated other comprehensive income	574	1,553
Deferred compensation	(134)	--
Total stockholders' equity	12,588	9,578
Total liabilities and stockholders' equity	$17,720	$15,427

See accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS
(MILLIONS OF DOLLARS, EXCEPT PER-SHARE AMOUNTS)

CASH FLOWS	FOR THE YEARS ENDED DECEMBER 31, 2000	1999	1998
Continuing operations:			
Cash flows from operating activities:			
Income before cumulative effect of an accounting change	$ 3,087	$ 1,451	$ 452
Depreciation	1,216	1,005	1,201
Amortization of acquisition-related costs	160	69	47
Purchased in-process research and development	112	79	25
Adjustment to conform fiscal year end of pooled acquisition	--	(9)	--
Deferred income taxes	1	(11)	(45)
Net currency exchange (gains) losses	11	9	(4)
(Increase) decrease in working capital (excluding cash and cash equivalents, short-term investments, deferred income taxes, and loans payable and current portion long-term debt):			
Accounts receivable	(348)	(444)	291
Inventories	(372)	(207)	60
Prepaid expenses	27	(20)	(15)
Accounts payable and accrued expenses	246	96	(440)
Income taxes payable	(55)	64	25
Accrued retirement and profit sharing contributions	51	244	(33)
Gains on sale of Micron stock	(1,636)	--	--
Increase (decrease) in noncurrent accrued retirement costs	(369)	11	42
Other	54	20	(220)
Net cash provided by operating activities	2,185	2,357	1,386
Cash flows from investing activities:			
Additions to property, plant and equipment	(2,762)	(1,398)	(1,067)
Purchases of short-term investments	(5,409)	(2,529)	(2,262)
Sales and maturities of short-term investments	4,178	2,237	2,568
Purchases of noncurrent investments	(133)	(87)	(61)
Sales of noncurrent investments	2,198	272	33
Acquisition of businesses, net of cash acquired	(3)	(469)	(152)
Payments made in connection with sale of memory business	--	--	(680)
Proceeds from sale of businesses	107	--	100
Net cash used in investing activities	(1,824)	(1,974)	(1,521)
Cash flows from financing activities:			
Additions to loans payable	23	11	10
Payments on loans payable	(19)	(13)	(9)
Additions to long-term debt	250	400	--
Payments on long-term debt	(307)	(262)	(68)
Dividends paid on common stock	(141)	(134)	(133)
Sales and other common stock transactions	242	225	154
Common stock repurchase program	(155)	(473)	(256)
Increase in noncurrent assets for restricted cash	(261)	--	--

Net cash used in financing activities......................	(368)	(246)	(302)
Effect of exchange rate changes on cash.....................	(29)	(61)	5
Net increase (decrease) in cash and cash equivalents........	(36)	76	(432)
Cash and cash equivalents at beginning of year.............	781	705	1,137
Cash and cash equivalents at end of year....................	$ 745	$ 781	$ 705

See accompanying notes.

CONSOLIDATED FINANCIAL STATEMENTS
(MILLIONS OF DOLLARS, EXCEPT PER-SHARE AMOUNTS)

STOCKHOLDERS' EQUITY	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY COMMON STOCK	ACC COMP I
Balance, December 31, 1997..........	$ 416	$1,313	$4,762	$ (94)	$
1998					
Net income........................	--	--	452	--	
Dividends declared on common stock ($.064 per share)...............	--	--	(101)	--	
Common stock issued on exercise of stock options..................	3	(102)	--	254	
Stock repurchase program..........	--	--	--	(294)	
Other stock transactions, net.....	--	106	--	--	
Pension liability adjustment......	--	--	--	--	
Equity, debt and cash investments adjustment.....................	--	--	--	--	
Balance, December 31, 1998..........	419	1,317	5,113	(134)	
1999					
Net income........................	--	--	1,451	--	
Dividends declared on common stock ($.085 per share)...............	--	--	(134)	--	
Two-for-one common stock split....	420	(420)	--	--	
Common stock issued on exercise of stock options..................	4	(247)	--	451	
Stock repurchase program..........	--	--	--	(426)	
Other stock transactions, net.....	--	195	--	--	
Pension liability adjustment......	--	--	--	--	
Equity, debt and cash investments adjustment.....................	--	--	--	--	
Pooling of interests acquisitions...................	8	32	(15)	--	
Adjustment to conform fiscal year end of pooled acquisition.......	--	--	(9)	--	
Balance, December 31, 1999..........	851	877	6,406	(109)	

2000					
NET INCOME........................	--	--	3,058	--	
DIVIDENDS DECLARED ON COMMON STOCK ($.085 PER SHARE)...............	--	--	(141)	--	
TWO-FOR-ONE COMMON STOCK SPLIT....	858	(858)	--	--	
COMMON STOCK ISSUED ON EXERCISE OF STOCK OPTIONS...................	13	97	--	171	
STOCK REPURCHASE PROGRAM..........	--	--	--	(155)	
OTHER STOCK TRANSACTIONS, NET.....	--	320	--	--	
PURCHASE ACQUISITIONS.............	11	749	--	--	
PENSION LIABILITY ADJUSTMENT......	--	--	--	--	
EQUITY AND CASH INVESTMENTS ADJUSTMENT......................	--	--	--	--	
DEFERRED COMPENSATION AMORTIZATION....................	--	--	--	--	
BALANCE, DECEMBER 31, 2000..........	$1,733	$1,185	$9,323	$ (93)	$

* Comprehensive income, i.e., net income plus other comprehensive income, totaled $2079 million in 2000, $2709 million in 1999 and $800 million in 1998.

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

ACCOUNTING POLICIES AND PRACTICES

Effective January 1, 2000, in accordance with Staff Accounting Bulletin No. 101, the company changed its method of accounting for revenue recognition for certain of its product sales, specifically those for which transfer of title occurs upon delivery to the customer. Historically, the company generally recognized revenues for its products when shipped. Typically, there is less than a three day difference between recognizing revenue at delivery versus when shipped. Under the new accounting method adopted in the fourth quarter of 2000 retroactive to January 1, 2000, the company now recognizes revenue for product sales when transfer of title occurs. The first three quarters of 2000 have been restated for the change. The cumulative effect of the change on prior years resulted in a charge to net income of $29 million (after income taxes of $16 million), which is included in results for the year 2000. The effect of the change on the year 2000 was to decrease income before the cumulative effect of the accounting change by $13 million ($.007 per share) and net income by $42 million ($.023 per share). For the first quarter of 2000, the company recognized $92 million in revenues that are included in the cumulative effect adjustment as of January 1, 2000. Pro forma amounts (assuming the change is applied retroactively) for periods prior to 2000 are not materially different from reported results and are not presented.

Royalty revenues are recognized upon sale by the licensee of royalty-bearing products, as estimated by the company.

The company adopted FASB Interpretation No. 44 in the third quarter of 2000. The statement, which was effective for transactions on or after July 1, 2000, requires that the intrinsic value of unvested employee stock options exchanged in a business purchase transaction be recorded as deferred compensation, a contra-stockholders' equity account. Previously, such amounts were recorded as acquisition cost. The effect of this standard was not material to the company's year 2000 net income. The company also adopted Emerging Issues Task Force Issue

No. 00-15 in the third quarter of 2000. This standard requires the income tax benefit realized by the company from the exercise of nonqualified stock options to be classified in the cash flow statement as an operating cash flow. Previously, this amount was classified as a financing cash flow. The benefit was $313 million, $183 million and $54 million for the years 2000, 1999 and 1998. Cash flow statements prior to 2000 have been reclassified accordingly.

The company adopted SFAS No. 130 in the first quarter of 1998. It required disclosure of comprehensive income, i.e., net income plus direct adjustments to stockholders' equity such as equity, debt and cash investment adjustments and pension liability adjustments. Also in 1998, the company adopted SFAS No. 132, which mandated changes in disclosures for pension and retiree health care plans. Disclosures under these standards were provided on a retroactive basis. Neither affected reported net income.

Accounting standard SFAS No. 133 was issued in 1998 and is effective January 1, 2001. It requires that all derivatives be marked-to-market on an ongoing basis. This applies to stand-alone derivative instruments, such as forward currency exchange contracts and interest rate swaps. It also applies to embedded derivatives acquired after year end 1998. Along with the derivatives, the underlying hedged items are also to be marked-to-market on an ongoing basis. These market value adjustments are to be included either in the income statement or stockholders' equity, depending on the nature of the transaction. The company will adopt the standard in the first quarter of 2001 on a cumulative basis and does not expect a material impact.

The consolidated financial statements include the accounts of all subsidiaries. The preparation of financial statements requires the use of estimates from which final results may vary.

B-5

Intercompany balances and transactions have been eliminated. The U.S. dollar is the functional currency for financial reporting. With regard to accounts recorded in currencies other than U.S. dollars, current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at year-end. Inventories, property, plant and equipment and depreciation thereon are remeasured at historic exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate daily rate of exchange. Net currency exchange gains and losses from remeasurement and forward currency exchange contracts to hedge net balance sheet exposures are charged or credited on a current basis to other income (expense) net. Gains and losses from forward currency exchange contracts to hedge specific transactions are deferred and included in the measurement of the related transactions. Gains and losses from interest rate swaps are included on the accrual basis in interest expense. Gains and losses from terminated forward currency exchange contracts and interest rate swaps are deferred and recognized consistent with the terms of the underlying transaction.

Inventories are stated at the lower of cost or estimated realizable value. Cost is generally computed on a currently adjusted standard (which approximates current average costs) or average basis.

Property, plant and equipment are stated at cost and depreciated on either the declining-balance method (primarily 150 percent declining method) or the sum-of-the-years-digits method over the estimated useful lives of the assets. Fully depreciated assets are written off against accumulated depreciation. Goodwill and other acquisition-related costs are amortized on a straight-line basis over the estimated economic lives of the assets. Reviews are regularly performed to determine whether facts or circumstances exist which indicate that the carrying values of the company's fixed or intangible assets are impaired.

The company assesses the recoverability of its assets by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets.

Advertising costs are expensed as incurred. Advertising expense was $118 million in 2000, $149 million in 1999 and $104 million in 1998.

As discussed in the Divestiture note, the financial statements include the effect of a significant divestiture: the sale of the company's memory business and related joint venture interests to Micron Technology, Inc. (Micron) in September 1998.

Amounts in the prior periods' financial statements and related notes have been restated to reflect the May 2000 two-for-one stock split and the acquisition of Burr-Brown Corporation (Burr-Brown) in August 2000, which was accounted for as a pooling of interests. See also the Pooling of Interests Acquisition note.

Computation of earnings per common share (EPS) amounts for income before cumulative effect of an accounting change is as follows (millions, except per-share amounts):

	2000			1999		
	INCOME	SHARES	EPS	INCOME	SHARES	EPS
Basic EPS..................	$3,087	1,717.5	$1.80	$1,451	1,680.3	$.86
Dilutives:						
Stock options/compensation plans..................	--	69.3		--	69.4	
Convertible debentures....	6	4.8		--	--	
Diluted EPS................	$3,093	1,791.6	$1.73	$1,451	1,749.7	$.83

The EPS computation for 2000 excludes 2.0 million shares for stock options because their effect would have been antidilutive.

POOLING OF INTERESTS ACQUISITION

On August 24, 2000, the company acquired Burr-Brown for approximately 88 million shares of common stock, including stock options and convertible notes. In this transaction, TI assumed outstanding Burr-Brown stock options that were converted to options to purchase approximately 9 million shares of TI common stock. In addition, Burr-Brown's outstanding 4.25% $250 million convertible subordinated notes payable are now convertible into 5.6 million TI common shares. This transaction was accounted for as a pooling of interests in 2000. All prior periods presented have been restated.

No adjustments, other than minor reclassifications, were necessary to conform accounting policies of the entities, nor were there any intercompany transactions requiring elimination. As both companies used calendar year reporting, no adjustments were necessary to conform time periods. Total related transaction costs of $50 million were expensed in the third and fourth quarters of 2000.

The following shows the historical results of TI and Burr-Brown for the periods prior to the consummation of the merger of the two entities (in millions):

	SIX MONTHS ENDED JUNE 30, 2000	YEAR ENDED DEC. 31, 1999	DEC. 31, 1
Net revenues:			
TI	$5,497	$9,468	$8,617
Burr-Brown	194	291	258
	$5,691	$9,759	$8,875
Net income:			
TI	$1,705	$1,406	$ 416
Burr-Brown	42	45	36
	$1,747	$1,451	$ 452

CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Debt securities with original maturities within three months are considered cash equivalents. Debt securities with original maturities beyond three months have remaining maturities within 13 months and are considered short-term investments. These cash equivalent and short-term investment debt securities are available for sale and stated at fair value, which approximates their specific amortized cost. As of December 31, 2000, these debt securities consisted primarily of the following types: corporate ($2619 million) and asset-backed commercial paper ($953 million). At December 31, 1999, these debt securities consisted primarily of the following types: corporate ($1749 million), asset-backed commercial paper ($711 million) and municipal securities ($153 million). Gross realized and unrealized gains, as well as realized losses, for each of these security types were immaterial in 2000, 1999 and 1998. Gross unrealized losses were immaterial for each of these security types in 1999 and 1998 and $20 million in 2000 (see also the Financial Instruments and Risk Concentration note). Proceeds from sales of these cash equivalent and short-term investment debt securities in 2000, 1999 and 1998 were $2025 million, $1185 million and $647 million.

B-7

INVENTORIES

	MILLIONS OF DOLLARS 2000	1999
Raw materials and purchased parts	$ 245	$ 167
Work in process	681	501
Finished goods	307	226
Inventories	$ 1233	$ 894

PROPERTY, PLANT AND EQUIPMENT AT COST

		MILLIONS OF DOLLAR	
	DEPRECIABLE LIVES	2000	199
Land..		$ 95	$
Buildings and improvements..............................	5-40 years	2,759	2,4
Machinery and equipment.................................	3-10 years	6,245	4,8
Total...		$9,099	$7,3

Authorizations for property, plant and equipment expenditures in future years were approximately $2236 million at December 31, 2000, and $1468 million at December 31, 1999.

INVESTMENTS

Equity investments primarily consisted of 56,952,399 Micron common shares and other publicly traded investments. Included in the Micron common shares are 24,666,715 shares received by TI in October 2000, when TI converted its $740 million 6.5% Micron convertible notes into Micron common shares. The Micron securities were received in 1998 in connection with TI's sale of its memory business.

TI Ventures is a venture fund that invests in companies involved in the development of new markets. As of year-end 2000, investments were held in 21 companies focused primarily on next-generation applications of digital signal processors.

Other investments consist of mutual funds that are acquired to generate returns that offset changes in certain liabilities related to deferred compensation arrangements. The mutual funds hold a variety of debt and equity investments.

Following is information on the investments (millions of dollars):

		UNREALIZED			
	COST	GAINS	(LOSSES)	NET	V
2000					
EQUITY INVESTMENTS.............................	$1,357	$ 899	$(52)	$ 847	$
TI VENTURES....................................	54	65	--	65	
OTHER INVESTMENTS..............................	77	--	--	--	
TOTAL..	$1,488	$ 964	$(52)	$ 912	$
1999					
Equity investments.............................	$ 964	$1,659	$ (3)	$1,656	$
Debt investments...............................	697	330	--	330	
TI Ventures....................................	38	475	--	475	

Other investments	46	--	(1)	(1)	
Total	$1,745	$2,464	$ (4)	$2,460	$

Investments are stated at fair value, which is based on market quotes, current interest rates or management estimates, as appropriate. Adjustments to fair value of the equity, TI Ventures and, in 1999, debt investments, which are all classified as available-for-sale, are recorded as an increase or decrease in stockholders' equity. Adjustments to fair value of the other investments, which are classified as trading, are recorded in operating expense. Cost or amortized cost, as appropriate, was determined on a specific identification basis.

Proceeds from sales of equity, debt and TI Ventures investments were $2232 million in 2000, $309 million in 1999 and $33 million in 1998. There were $1816 million and $125 million of gross realized gains and zero gross realized losses from sales of these investments in 2000 and 1999. Similar amounts in 1998 were zero.

GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLES

		MILL DO
	AMORTIZATION LIVES	2000
Goodwill	5-8 years	$659
Developed technology	3-10 years	140
Other intangibles	2-10 years	162
Total		$961

Other intangibles include items such as trained workforce and customer base. The balances shown are net of total accumulated amortization of $308 million and $168 million at year-end 2000 and 1999.

Amortization of goodwill and other acquisition-related costs (including deferred compensation, a contra-stockholders' equity account) was $160 million, $69 million and $47 million for 2000, 1999 and 1998. Of the total amortization, goodwill amortization was $71 million, $25 million and $10 million, with the remainder primarily related to developed technology.

B-9

NON-CASH INVESTING ACTIVITY

Following is a discussion of major TI transactions which involved non-cash amounts. In 2000, TI acquired Burr-Brown in a pooling of interests acquisition for approximately 88 million shares of TI common stock, including stock options and convertible notes. In 1998, TI sold its memory business to Micron. As a result, TI received Micron common shares and notes with values of $881 million and $836 million, respectively. In addition to TI's memory assets, Micron received $550 million in cash from TI to facilitate the deployment of Micron's technology throughout the acquired business. In the fourth quarter of 1998, TI made an additional $130 million payment to Micron as part of the contractually required working capital.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	MILLIONS OF DOLLARS	
	2000	1999
Accounts payable	$ 997	$ 687
Accrued salaries, wages and vacation pay	365	421
Other accrued expenses and liabilities	559	614
Total	$1,921	$1,722

DEBT AND LINES OF CREDIT

	MILLIONS OF DOLLARS	
LONG-TERM DEBT	2000	1999
6.875% notes due 2000	$ --	$ 200
9.0% notes due 2001	55	55
6.65% notes, due in installments through 2001	50	127
9.25% notes due 2003	103	104
7.0% notes due 2004	400	400
6.125% notes due 2006	300	300
8.75% notes due 2007	43	43
3.80% to 6.10% lira notes	91	133
4.25% convertible subordinated notes due 2007	250	--
Other	51	51
	1,343	1,413
Less current portion long-term debt	127	314
Total	$1,216	$1,099

The coupon rates for the notes due 2006 have been swapped for LIBOR-based variable rates through 2006, for an effective interest rate of approximately 6.1% and 5.6% as of December 31, 2000 and 1999. The lira notes are due in installments through 2005.

The 4.25% convertible subordinated notes issued February 24, 2000, may be redeemed at the issuer's option at specified prices, beginning in 2003. The notes are convertible at the holder's option into an aggregate 5,624,784 shares of TI common stock at a common stock conversion price of $44.45 per share. See the Guarantor Information note for further information.

TI has guaranteed the payment obligations of a supplier under a $210 million lease financing facility maturing 2003. Obligations under this facility were $172 million and $2 million at year-end 2000 and 1999.

B-10

In October 2000, TI was released from its guarantee of borrowings by TECH Semiconductor Singapore under its $450 million principal amount credit facility.

See the Divestitures note for further information.

Interest incurred on loans in 2000, 1999 and 1998 was $98 million, $84 million and $86 million. Of these amounts, $23 million in 2000, $8 million in 1999 and $10 million in 1998 were capitalized as a component of capital asset construction costs. Interest paid on loans (net of amounts capitalized) was $75 million in 2000, $76 million in 1999 and $76 million in 1998.

Aggregate maturities of long-term debt due during the four years subsequent to December 31, 2001, are as follows:

	MILLIONS OF DOLLARS
2002	$ 25
2003	156
2004	423
2005	8

The company maintains lines of credit to support commercial paper borrowings and to provide additional liquidity. These lines of credit totaled $733 million at December 31, 2000, and $723 million at December 31, 1999. Of these amounts, at December 31, 2000 and 1999, $600 million existed to support commercial paper borrowings or short-term bank loans.

FINANCIAL INSTRUMENTS AND RISK CONCENTRATION

FINANCIAL INSTRUMENTS: In addition to the swaps discussed in the preceding note, as of December 31, 2000, the company had forward currency exchange contracts outstanding of $201 million to hedge net balance sheet exposures (including $51 million to buy Taiwan dollars, $47 million to sell yen and $29 million to buy euros). At December 31, 1999, the company had forward currency exchange contracts outstanding of $567 million to hedge net balance sheet exposures (including $99 million to buy yen, $102 million to sell yen, and $214 million to buy euros). As of December 31, 2000 and 1999, the carrying amounts and current market settlement values of these swaps and forward contracts were not significant. The company uses forward currency exchange contracts, to minimize the adverse earnings impact from the effect of exchange rate fluctuations on the company's non-U.S. dollar net balance sheet exposures. The interest rate swaps for the company's notes due 2006 are used to change the characteristics of the interest rate stream on the debt from fixed rates to short-term variable rates in order to achieve a mix of interest rates that, over time, is expected to moderate financing costs. The effect of these interest rate swaps was to reduce interest expense by $1 million, $4 million and $3 million in 2000, 1999, and 1998.

In order to minimize its exposure to credit risk, the company limits its counterparties on the forward currency exchange contracts and interest rate swaps to investment-grade rated financial institutions.

As of December 31, 2000 and 1999, the fair value of long-term debt, based on current interest rates, was approximately $1450 million and $1401 million, compared with the historical cost amount of $1343 million and $1413 million.

RISK CONCENTRATION: Financial instruments that potentially subject the company to concentrations of credit risk are primarily cash investments, accounts receivable and noncurrent investments. The company places its cash investments in investment-grade, short-term debt securities and limits the amount of credit exposure to any one commercial issuer. At year-end 2000, TI held $100 million of one-year notes issued by Edison International (EI), the parent of Southern California Edison

Company (SCE). SCE is a California utility company currently experiencing financial difficulties. The notes, which mature July 18, 2001, were purchased in July 2000 for face amount. The estimated market value of the EI notes held by TI is below face amount by $20 million. Pending a more definitive determination of EI's financial condition, TI has written down the investment by $20 million at year-end 2000 through accumulated other comprehensive income in stockholders' equity.

Concentrations of credit risk with respect to the receivables are limited due to the large number of customers in the company's customer base and their dispersion across different industries and geographic areas. The company maintains an allowance for losses based upon the expected collectibility of accounts receivable. At December 31, 2000, TI had an account receivable of $173 million from Hyundai Electronics Industries Co., Ltd. (Hyundai) under the terms of a patent license agreement expiring December 31, 2007. Hyundai has requested a renegotiation of the payment schedule of the receivable and TI is in discussions with Hyundai on this issue. TI, which has significant legal remedies available, believes the receivable balance is collectible.

The company's noncurrent investments at year-end 2000 have an aggregate fair value of $2400 million ($4205 million at year-end 1999). The investments are in high-technology companies and are subject to price volatility and other uncertainties. They include a significant concentration of Micron common shares with a fair value of $2022 million at year-end 2000. The company adjusts the carrying amounts of the investments to fair value each quarter.

STOCKHOLDERS' EQUITY

The company is authorized to issue 10,000,000 shares of preferred stock. None is currently outstanding.

Each outstanding share of the company's common stock carries one-fourth of a stock purchase right. Under certain circumstances, each right may be exercised to purchase one one-thousandth of a share of the company's participating cumulative preferred stock for $200. Under certain circumstances following the acquisition of 20% or more of the company's outstanding common stock by an acquiring person (as defined in the rights agreement), each right (other than rights held by an acquiring person) may be exercised to purchase common stock of the company or a successor company with a market value of twice the $200 exercise price. The rights, which are redeemable by the company at one cent per right, expire in June 2008.

Changes in accumulated other comprehensive income are as follows (millions of dollars):

	PENSION LIABILITY ADJUSTMENT	EQUITY, DEBT AND CASH INVESTMENTS ADJUSTMENT	TOTA
Balance, December 31, 1997	$ (63)	$ 10	$ (
Annual adjustments	(117)	716	5
Tax effect of above	--	(251)	(2
Balance, December 31, 1998	(180)	475	2

Annual adjustments	132	1,857	1,9
Tax effect of above	--	(649)	(6
Reclassifications of realized transactions, net of tax of $43 million	--	(82)	(
Balance, December 31, 1999	(48)	1,601	1,5
ANNUAL ADJUSTMENTS	27	246	2
TAX EFFECT OF ABOVE	--	(87)	(
TAX VALUATION ALLOWANCE REDUCTION	15	--	
RECLASSIFICATION OF REALIZED TRANSACTIONS, NET OF TAX OF $636 MILLION	--	(1,180)	(1,1
BALANCE, DECEMBER 31, 2000	$ (6)	$ 580	$ 5

B-12

RESEARCH AND DEVELOPMENT

Research and development expense totaled $1747 million in 2000, $1379 million in 1999 and $1265 million in 1998.

Acquisition-related purchased in-process R&D charges were $112 million in 2000, $79 million in 1999 and $25 million in 1998. These charges are for the value of acquired in-process research and development from business purchase acquisitions. Values for acquired in-process R&D (purchased R&D) were determined at the acquisition date based upon the appraised value of the related developmental projects. Purchased R&D projects acquired after 1998 were assessed, analyzed and valued within the context and framework articulated by the Securities and Exchange Commission herein described as the Exclusion Approach. Earlier acquisitions were valued using the Income Approach.

Significant assumptions, detailed in the table below, used in determining the value of purchased R&D included the discount rate, the estimated beginning date of projected operating cash flows, and the remaining cost and time, in engineer-months, to complete the R&D projects. The term "engineer-month" refers to the average amount of research work expected to be performed by an engineer in a month.

The relative stage of completion and projected operating cash flows of the underlying in-process projects acquired were the most significant and uncertain assumptions utilized in the valuation analysis of the in-process R&D. Such uncertainties could give rise to unforeseen budget over-runs and/or revenue shortfalls in the event that TI is unable to successfully complete and commercialize the projects. TI management is primarily responsible for estimating the value of the purchased R&D in all acquisitions accounted for under the purchase method. TI expects to essentially meet its original return expectations for the projects.

MILLIONS OF DOLLARS

ENTITY ACQUIRED	ACQUISITION DATE	CONSIDERATION	GOODWILL	OTHER INTANGIBLES	DEFERRED COMPENSATION	PURCHASED IN-PROCESS R&D CHARGE	APPRAISAL METHOD
Alantro Communications,	Third quarter	$277	$148	$ 81	$ 32	$ 52	Exclusion approach

Inc.	2000						
Dot Wireless, Inc.	Third quarter 2000	$467	$302	$ 46	$119	$ 60	Exclusion approach
Butterfly VLSI, Ltd.	First quarter 1999	$ 52	$ 33	$ 5	--	$ 10	Exclusion approach
Libit Signal Processing Ltd.	Second quarter 1999	$365	$207	$106	--	$ 52	Exclusion approach
Integrated Sensor Solutions, Inc.	Third quarter 1999	$ 67	$ 32	$ 11	--	$ 16	Exclusion approach
GO DSP/Spectron	First quarter 1998	$ 39	$ 7	$ 7	--	$ 25	Income approach

MILLIONS OF DOLLA	MILLIONS OF DOLLARS		
	COST/TIME TO COMPLETE R&D PROJECTS		YEAR CASH FLOWS
ENTITY ACQUIRED	AT ACQUISITION	AT DEC. 2000	PROJECTED TO BEGIN
Alantro Communications, Inc.	$4.1/256 engineer months	$5.8/359 engineer months	2002
Dot Wireless, Inc.	$2.9/172 engineer months	$.5/31 engineer months	2003
Butterfly VLSI, Ltd.	$5/264 engineer months	Project completed	2000
Libit Signal Processing Ltd.	$5/492 engineer months	Project completed	2000
Integrated Sensor Solutions, Inc.	$4/233 engineer months	Project completed	2000
GO DSP/Spectron	$7/540 engineer months	Project completed	1998

OTHER INCOME (EXPENSE) NET

	MILLIONS OF DOLLARS		
	2000	1999	1998
Interest income	$ 296	$182	$171
Other income (expense) net	2,018	221	130
Total	$2,314	$403	$301

Other income increased in 2000, compared to 1999, primarily due to investment gains, including $1211 million and $425 million of gains from the sale of Micron common stock in the second and third quarters of 2000. Other income also included $88 million in the fourth quarter of 2000 from recognition of a gain on the 1998 sale of the memory business to Micron. As discussed in the Divestitures note, gain recognition had been deferred pending repayment of the remaining TI-provided financing to Micron, which occurred in the fourth quarter of 2000.

The increase in other income in 1999, compared to 1998, was primarily due to increased investment gains. Other income included gains of $87 million in the third quarter of 1999 from the sale of several noncurrent stock investments and a gain of $83 million in the second quarter of 1998 from the sale of TI's interest in the TI-Acer joint venture to Acer Corporation.

STOCK OPTIONS

The company has stock options outstanding to participants under the Texas Instruments 2000 Long-Term Incentive Plan, approved by stockholders on April 20, 2000. Options are also outstanding under the 1996 Long-Term Incentive Plan, the Texas Instruments Long-Term Incentive Plan and the 1988 Stock Option Plan; however, no further options may be granted under these plans. Under all these stockholder-approved plans, unless the options are acquisition-related replacement options, the option price per share may not be less than 100 percent of the fair market value on the date of the grant. Substantially all the options have a 10-year term. Options granted subsequent to 1996 generally vest ratably over four years. Options granted prior to that are fully vested.

Under the 2000 Long-Term Incentive Plan, the company may grant stock options, including incentive stock options; restricted stock and restricted stock units; performance units; and other stock-based awards. The plan provides for the issuance of 120,000,000 shares of the company's common stock; in addition, if any award under the 1996 Long-Term Incentive Plan, the Long-Term Incentive Plan or the 1988 Stock Option Plan terminates, then any unissued shares subject to the terminated award become available for granting awards under the 2000 Long-Term Incentive Plan. No more than 13,400,000 shares of common stock may be awarded as restricted stock, restricted stock units or other stock-based awards under the plan. In 2000, 1999, and 1998, 215,500, 636,000 and 468,000 shares of restricted stock units were granted, which have a minimum vesting period of three years from date of grant (weighted-average award-date value of $54.44, $27.87 and $12.95 per share). Compensation expense for restricted stock units totaled $4.7 million, $11.2 million and $4.3 million in 2000, 1999 and 1998.

The company also has stock options outstanding under the Employee Stock Purchase Plan approved by stockholders in 1997. The plan provides for options to be offered sem