Texas Instruments

2015 Annual Report

Notice of 2016 Annual Meeting & Proxy Statement

Richard K. Templeton
Chairman, President and Chief Executive Officer

To our shareholders:

As we close out 2015, I want to thank you for your investment and confidence in Texas Instruments.

It was a good year and our financial results speak well of our company. Gross margin was 58.2 percent of revenue and operating margin was 32.9 percent, both new records. Most importantly, free cash flow margin was a new record at 28.6 percent of revenue, up 170 basis points from a year ago. After first investing in new technologies and products for our future, we again returned more than 100 percent of free cash flow dollars to you, our shareholders, in the form of dividends and share buybacks. Dividends per share increased to $1.52 annualized, up by a factor of 12 in the last decade, and shares outstanding decreased to their lowest levels in almost 50 years. We accomplished all of this despite a tepid economy accompanied by headwinds from foreign exchange rates and some end markets.

As I've said before in my letters to you, the strength of our company's performance starts with the right focus and the right strategies. We are solid here because we've anchored our business model in two pervasive semiconductor technologies that are part of virtually every piece of electronics equipment in the world: analog and embedded processing. The semiconductors from these technologies have long life cycles and diverse market exposures that foster growth and good investment returns. They use mature, and therefore, lower-cost manufacturing processes and assets, which allow us to generate more cash and profitability. In 2015, 86 percent of our revenue came from the sale of Analog and Embedded semiconductors, up from 83 percent in 2014. Once again, we gained market share in both of these core businesses, the sixth consecutive year we've done so.

As you can see, our company has strengthened thanks to these strategies and investments that create long-term value. But we are not lulled into complacency by our success. We recognize that fundamental changes are happening across our industry, and we are intent on recognizing and staying ahead of them in order to maximize our company's competitiveness.

Among these changes is the accelerated rate of industry consolidation. Fortunately, we were in front of this curve several years ago when we acquired National Semiconductor. As a result, our customers now have access to a stronger and broader portfolio of Analog and Embedded semiconductors, and we are now enjoying more than an 8 percent return on our investment.

Another big change is the emergence of the World Wide Web as an important decision point for semiconductor design-ins and purchases. This has long been common for consumer goods but is newer for technical and engineering-based buys. We've been investing for several years to make TI.com the preferred source for analog and embedded semiconductors, and today we have what I believe is our industry's very best Web experience for design engineers.

Finally, new markets for semiconductors like industrial and automotive are presenting new opportunities as the best sources of growth. This is particularly good news, because while we aspire in all markets, industrial and automotive applications are still in the early stages of semiconductor adoption, and our own percentage of revenue from the combination of both has jumped four points, to 46 percent, in just the past few years.

I'll close this letter by reaffirming our intent to care wisely for your investment in us. We know this requires discipline on our part to allocate our company's capital to the best places with the best prospects for long-term growth and returns. We spend a lot of time making sure we do this well because it makes the difference in whether we generate returns that are greater than our cost of capital.

The outcome of our investments to date has been a set of competitive advantages that, taken together, separate us from our peers and are difficult for others to replicate. These are: 1) our manufacturing strategy and technology, including 300-millimeter Analog manufacturing, 2) our broad product portfolio, 3) our unparalleled market reach, and 4) our diverse and long-lived product positions. They provide tangible benefits, among them: growth, profitability, strong cash generation, and many markets and customers to ensure success is not dependent on a single application or buyer. As a result, TI is in a unique class of companies able to grow, generate *and* return cash to shareholders, and we intend to stay here for a long time to come.

Note: Free cash flow (non-GAAP) = Cash flow from operations minus Capital expenditures. See page 21 for details.

Form 10-K table of contents

PART I

Item 1.	Business	2
Item 1A.	Risk Factors	8
Item 1B.	Unresolved Staff Comments	13
Item 2.	Properties	13
Item 3.	Legal Proceedings	14
Item 4.	Mine Safety Disclosures	14

PART II

Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	15
Item 6.	Selected Financial Data	16
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
	• Overview	17
	• Results of operations	18
	• Prior results of operations	19
	• Financial condition	20
	• Liquidity and capital resources	21
	• Non-GAAP financial information	21
	• Long-term contractual obligations	22
	• Critical accounting policies	22
	• Changes in accounting standards, Off-balance sheet arrangements, and Commitments and contingencies	24
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 8.	Financial Statements and Supplementary Data	26
	• Consolidated Statements of Income	27
	• Consolidated Statements of Comprehensive Income	28
	• Consolidated Balance Sheets	29
	• Consolidated Statements of Cash Flows	30
	• Consolidated Statements of Stockholders' Equity	31
	Notes to financial statements	32
	• (1) Description of business, including segment and geographic area information	32
	• (2) Basis of presentation and significant accounting policies and practices	33
	• (3) Restructuring charges/other	38
	• (4) Stock-based compensation	39
	• (5) Profit sharing plans	43
	• (6) Income taxes	43
	• (7) Financial instruments and risk concentration	46
	• (8) Valuation of debt and equity investments and certain liabilities	46
	• (9) Goodwill and acquisition-related intangibles	48
	• (10) Postretirement benefit plans	49
	• (11) Debt and lines of credit	55
	• (12) Commitments and contingencies	56
	• (13) Supplemental financial information	57
	• (14) Quarterly financial data (unaudited)	59

	Report of independent registered public accounting firm	60
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	61
Item 9A.	Controls and Procedures	61
Item 9B.	Other information	63

PART III

Item 10.	Directors, Executive Officers and Corporate Governance	63
Item 11.	Executive Compensation	63
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	63
Item 13.	Certain Relationships and Related Transactions, and Director Independence	64
Item 14.	Principal Accountant Fees and Services	64

PART IV

Item 15.	Exhibits, Financial Statement Schedules	65
Notice regarding forward-looking statements		67
Signatures		68

Proxy statement table of contents

Notice of annual meeting of stockholders	1
Table of contents	2
Voting procedures and quorum	3
Election of directors	4
Board organization	9
Director compensation	13
Executive compensation	16
Audit Committee report	40
Proposal to ratify appointment of independent registered public accounting firm	41
Proposal to approve amendment of the Texas Instruments 2009 Long-Term Incentive Plan	42
Equity compensation plan information	46
Additional information	47
Notice regarding forward-looking statements	52
Directions and other annual meeting information	53
Appendix A (Non-GAAP reconciliations)	A-1
Appendix B (Texas Instruments 2009 Long-Term Incentive Plan)	B-1

Other information table of contents

Comparison of total shareholder return	1
Notice regarding forward-looking statements	1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended December 31, 2015
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from ________ to ________

Commission File Number 1-3761

TEXAS INSTRUMENTS INCORPORATED
(Exact name of Registrant as specified in its charter)

Delaware	**75-0289970**
(State of Incorporation)	(I.R.S. Employer Identification No.)
12500 TI Boulevard, Dallas, Texas	**75243**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: 214-479-3773
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00	**The NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the Registrant was approximately $53,229,272,810 as of June 30, 2015.

1,005,257,723 (Number of shares of common stock outstanding as of February 22, 2016)

Part III hereof incorporates information by reference to the Registrant's proxy statement for the 2016 annual meeting of stockholders.

PART I

ITEM 1. Business.

We design and make semiconductors that we sell to electronics designers and manufacturers all over the world. We began operations in 1930. We are incorporated in Delaware, headquartered in Dallas, Texas, and have design, manufacturing or sales operations in more than 30 countries. We have two reportable segments: Analog and Embedded Processing. We report the results of our remaining business activities in Other. In 2015, we generated $13 billion of revenue.

We focus our resources on Analog and Embedded Processing because we believe that these segments' long product life cycles, intrinsic diversity and need for less capital-intensive manufacturing provide a combination of stability, profitability and strong cash generation. This business model is the foundation of our capital management strategy, which is based on our belief that free cash flow growth is important for maximizing shareholder value over the long term. Free cash flow is cash flow from operations less capital expenditures.

Product information

Semiconductors are electronic components that serve as the building blocks inside modern electronic systems and equipment. Semiconductors, generally known as "chips," combine multiple transistors on a single piece of material to form a complete electronic circuit. We have tens of thousands of products that are used to accomplish many different things, such as converting and amplifying signals, interfacing with other devices, managing and distributing power, processing data, canceling noise and improving signal resolution. This broad portfolio includes products that are integral to almost all electronic equipment.

We sell catalog and application-specific standard semiconductor products, both of which we market to multiple customers. Catalog products are designed for use by many customers and/or many applications. The life cycles of catalog products generally span multiple years, with some products continuing to sell for decades after their initial release. Application-specific standard products (ASSPs) are designed for use by a smaller number of customers and are targeted to a specific application. The life cycles of ASSPs are generally determined by end-equipment upgrade cycles and can be as short as 12 to 24 months, although some can be used across multiple generations of customers' products. We also sell custom semiconductor products, which are designed for a specific customer to use in a specific application and are sold only to that customer. The vast majority of our revenue is derived from products that are differentiated from competitors' products. Our products are sold through distribution channels and directly to customers.

Our segments represent groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels. Our segments also reflect how management allocates resources and measures results. Additional information regarding each segment follows.

Analog

Analog generated $8.3 billion of revenue in 2015. Analog semiconductors change real-world signals, such as sound, temperature, pressure or images, by conditioning them, amplifying them and often converting them to a stream of digital data that can be processed by other semiconductors, such as embedded processors. Analog semiconductors also are used to manage power in every electronic device by converting, distributing, storing, discharging, isolating and measuring electrical energy, whether the device is plugged into a wall or running off a battery. Our Analog products are used in many markets, particularly personal electronics and industrial.

Sales of our Analog products generated about 64 percent of our revenue in 2015. According to external sources, the market for analog semiconductors was $45 billion in 2015. Our Analog segment's revenue in 2015 was 18 percent of this fragmented market, the leading position. We believe we are well positioned to increase our market share over time.

Our Analog segment includes the following major product lines: High Volume Analog & Logic (HVAL), Power Management (Power), High Performance Analog (HPA) and Silicon Valley Analog (SVA).

HVAL

These include high-volume integrated ASSPs and high-volume catalog products. HVAL products support applications like automotive safety devices, touchscreen controllers, low-voltage motor drivers and integrated motor controllers.

Power

These include both catalog products and ASSPs that help customers manage power in electronic systems. Our broad portfolio of Power products is designed to enhance the efficiency of powered devices using battery management solutions, portable power devices, power supply controls and point-of-load products.

HPA

These include catalog products that we market to many different customers who use them in manufacturing a wide range of products. HPA products include high-speed data converters, amplifiers, sensors, high-reliability products, interface products and precision products that are typically used in systems that require high performance. HPA products generally have long life cycles, often more than 10 years.

SVA

These include a broad portfolio of industrial, high-voltage power management, data converter, interface and operational amplifier catalog products used in manufacturing a wide range of electronic systems. SVA products support applications like video and data interface products, high voltage power conversion, and mobile lighting and display systems. SVA products generally have long life cycles, often more than 10 years. SVA consists primarily of products that we acquired through our purchase of National Semiconductor Corporation in 2011.

Embedded Processing

Embedded Processing generated $2.8 billion of revenue in 2015. Embedded Processing products are the “brains” of many electronic devices. Embedded processors are designed to handle specific tasks and can be optimized for various combinations of performance, power and cost, depending on the application. The devices vary from simple, low-cost products used in electric toothbrushes to highly specialized, complex devices used in automotive applications such as infotainment systems and advanced driver assistance systems (ADAS). Our Embedded Processing products are used in many markets, particularly industrial and automotive.

An important characteristic of our Embedded Processing products is that our customers often invest their own research and development (R&D) to write software that operates on our products. This investment tends to increase the length of our customer relationships because many customers prefer to re-use software from one product generation to the next.

Sales of Embedded Processing products generated about 21 percent of our revenue in 2015. According to external sources, the market for embedded processors was $18 billion in 2015. Our 15 percent share of this fragmented market is among the leaders. We believe we are well positioned to increase our market share over time.

Our Embedded Processing segment includes the following major product lines: Microcontrollers, Processors and Connectivity.

Microcontrollers

These include self-contained systems with a processor core, memory and peripherals that are designed to control a set of specific tasks for electronic equipment. Microcontrollers tend to have minimal requirements for memory and program length, with no operating system and low software complexity. Analog components that control or interface with sensors and other systems are often integrated into microcontrollers.

Processors

These include digital signal processors (DSPs) and applications processors. DSPs perform mathematical computations almost instantaneously to process or improve digital data. Processors are typically tailored for a specific class of applications such as industrial (factory automation or grid infrastructure) and automotive (infotainment and ADAS). They are also sold into broad industrial applications.

Connectivity

These include products that enable electronic devices to seamlessly connect and transfer data, and the requirements for speed, data capability, distance, power and security vary depending on the application. Our Connectivity products support many wireless technologies to meet these requirements, including low-power wireless network standards like Zigbee® and other technologies like Bluetooth®, WiFi and GPS. Our Connectivity products are usually designed into customer devices alongside our processor and microcontroller products, enabling data to be collected, transmitted and acted upon.

Other

We report the results of our remaining business activities in Other, which generated $1.9 billion of revenue in 2015 and includes:

- Revenue from our smaller product lines, such as DLP® products (primarily used in projectors to create high-definition images), calculators and certain custom semiconductors known as application-specific integrated circuits (ASICs).
- Royalties received from agreements involving license rights to our patent portfolio.

We also include in Other items that are not used in evaluating the results of or in allocating resources to our segments. Examples of these items include acquisition charges; restructuring charges; revenue from our legacy wireless products; and certain corporate-level items, such as litigation expenses, environmental costs, insurance settlements, and gains and losses from other activities, including asset dispositions.

Financial information with respect to our segments and our operations outside the United States is contained in Note 1 to the financial statements, which is included in Item 8, "Financial Statements and Supplementary Data." Risks attendant to our foreign operations are described in Item 1A, "Risk Factors."

Markets for our products

The table below lists the major markets that used our products in 2015 and the estimated percentage of our 2015 revenue that the market represented. The chart also lists, in decreasing order of our revenue, the sectors within each market.

Markets	Sectors	
Industrial (31% of TI revenue)	Factory automation and control Medical/healthcare/fitness Building automation Grid infrastructure Test and measurement Motor drives Electronic point of sale	Space/avionics/defense Display Power delivery Appliances Lighting Industrial transportation Industrial other
Automotive (15% of TI revenue)	Infotainment and cluster Passive safety ADAS Body electronics and lighting Hybrid/electric vehicle and powertrain	
Personal electronics (30% of TI revenue)	Mobile phones Personal and notebook computers TV/set-top box/audio Storage Printers and other peripherals Tablets Wearables (non-medical) Gaming	
Communications equipment (13% of TI revenue)	Wireless infrastructure Telecom infrastructure Enterprise switching Residential	
Enterprise systems (6% of TI revenue)	Projectors Servers High-performance computing Multi-function printers Thin client	
Other (calculators, royalties and other) (5% of TI revenue)		

Market characteristics

Competitive landscape

The analog and embedded processing markets are highly fragmented. As a result, we face significant global competition from dozens of large and small companies, including both broad-based suppliers and niche suppliers. Our competitors also include emerging companies, particularly in Asia, that sell products into the same markets in which we operate.

We believe that competitive performance in the semiconductor market generally depends on several factors, including the breadth of a company's product line, the strength and depth of the sales network, technological innovation, product development execution, technical support, customer service, quality, reliability, price and scale. The primary competitive factors for our Analog products include design proficiency, a diverse product portfolio to meet wide-ranging customer needs, manufacturing process technologies that provide differentiated levels of performance, applications and sales support, and manufacturing expertise and capacity. The primary competitive factors for our Embedded Processing products are the ability to design and cost-effectively manufacture products, system-level knowledge about targeted end markets, installed base of software, software expertise, applications and sales support, and a product's performance, integration and power characteristics.

Product cycle

The global semiconductor market is characterized by constant, though generally incremental, advances in product designs and manufacturing processes. Semiconductor prices and manufacturing costs tend to decline over time as manufacturing processes and product life cycles mature.

Market cycle

The "semiconductor cycle" refers to the ebb and flow of supply and demand. The semiconductor market historically has been characterized by periods of tight supply caused by strengthening demand and/or insufficient manufacturing capacity, followed by periods of surplus inventory caused by weakening demand and/or excess manufacturing capacity. These are typically referred to as upturns and downturns in the semiconductor cycle. The semiconductor cycle is affected by the significant time and money required to build and maintain semiconductor manufacturing facilities.

We employ several strategies to dampen the effect of the semiconductor cycle on TI. We acquire our facilities and equipment ahead of demand, which usually allows us to acquire this capacity at lower costs. We focus our resources on our Analog and Embedded Processing segments, which serve diverse markets and diverse customers. This diversity reduces our dependence on the performance of a single market or small group of customers. Additionally, we utilize consignment inventory programs with our customers and distributors.

Seasonality

Our revenue is subject to some seasonal variation. Historically, our semiconductor revenue growth rate tends to be weaker in the first and fourth quarters when compared to the second and third quarters. Calculator revenue is tied to the U.S. back-to-school season and is therefore at its highest in the second and third quarters.

Manufacturing

Semiconductor manufacturing begins with a sequence of photolithographic and chemical processing steps that fabricate a number of semiconductor devices on a thin silicon wafer. Each device on the wafer is packaged and tested. The entire process takes place in highly specialized facilities and requires an average of 12 weeks, with most products completing within 7 to 16 weeks.

The cost and lifespan of the equipment and processes we use to manufacture semiconductors vary by technology. Our Analog products and most of our Embedded Processing products can be manufactured using mature and stable, and therefore less expensive, equipment than is needed for manufacturing advanced logic products, such as some of our processor products.

We own and operate semiconductor manufacturing facilities in North America, Asia, Japan and Europe. These include both wafer fabrication and assembly/test facilities. Our facilities require substantial investment to construct and are largely fixed-cost assets once in operation. We own much of our manufacturing capacity; therefore, a significant portion of our operating cost is fixed and changes in factory loadings can cause short-term variations in profit margins. When factory loadings decrease, our fixed costs are spread over reduced output and, absent other circumstances, our profit margins decrease. Conversely, as factory loadings increase, our fixed costs are spread over increased output and, absent other circumstances, our profit margins increase. Our operating focus is more on maximizing long-term free cash flow than minimizing short-term variations in profit margins caused by factory loadings.

To this end, we seek to maximize long-term free cash flow by keeping capital expenditures low through opportunistic purchases of facilities and equipment ahead of demand. For example, in 2013 we purchased an assembly/test facility in Chengdu, China. In 2015 we began production at an existing facility in Dallas, Texas, that we adapted to manufacture analog products using 300-millimeter wafers, our most cost-effective manufacturing process. These activities may have near-term effects on our profit margins, but we believe they will result in long-term benefits to free cash flow.

We expect to maintain sufficient internal manufacturing capacity to meet the vast majority of our production needs. To supplement our manufacturing capacity and maximize our responsiveness to customer demand and return on capital, we utilize the capacity of outside suppliers, commonly known as foundries, and subcontractors. In 2015, we sourced about 20 percent of our total wafers from external foundries and about 40 percent of our assembly/test services from subcontractors.

Customers

We estimate that we sell our products to more than 100,000 customers. Our customer base is diverse, with one-third of our revenue deriving from customers outside our largest 100. Our largest single end customer in 2015 was Apple Inc. Apple accounted for approximately 11 percent of revenue, recognized primarily in our Analog segment.

Sales and distribution

We market and sell our semiconductor products through a direct sales force and distributors. We have sales or marketing offices in more than 30 countries. About 60 percent of our revenue comes through distribution channels. Our distributors maintain an inventory of our products and sell directly to a wide range of customers. They also sell products from our competitors.

Inventory

Our inventory practices differ by product, but we generally maintain inventory levels that are consistent with our expectations of customer demand. We carry proportionally more inventory of products with long life cycles and a broad customer base. Additionally, we sometimes maintain product inventory in unfinished wafer form, as well as higher finished-goods inventory of low-volume products, allowing greater flexibility in periods of high demand.

We generate about 55 percent of our revenue from consignment inventory programs that we have in place for our large customers and distributors. With these programs, we own inventory that is stored at our customers' and distributors' locations, and we recognize revenue when the product is pulled from consigned inventory. These consignment programs give us improved insight into demand, allowing us to better manage our factory loadings. About 60 percent of our distributor revenue is generated from sales of consigned inventory.

Backlog

We define backlog as of a particular date as purchase orders with a customer-requested delivery date within a specified length of time. Our backlog at any particular date may not be indicative of revenue for any future period. As customer requirements and industry conditions change, orders may be subject to cancellation or modification of terms such as pricing, quantity or delivery date. Customer order placement practices continually evolve based on customers' individual business needs and capabilities, as well as industry supply and capacity considerations. Further, our consignment programs do not result in backlog because the order occurs at the same time as delivery, i.e., when the customer pulls the product from consigned inventory. Our backlog of orders was $0.95 billion at December 31, 2015, and $0.94 billion at December 31, 2014.

FORM 10-K

Acquisitions, divestitures and investments

From time to time we consider acquisitions and divestitures that may strengthen our business portfolio. We also make investments directly or indirectly in private companies. Investments are focused primarily on next-generation technologies and markets strategic to us.

Raw materials

We purchase materials, parts and supplies from a number of suppliers. In some cases we purchase such items from sole source suppliers. The materials, parts and supplies essential to our business are generally available at present, and we believe that such materials, parts and supplies will be available in the foreseeable future.

Intellectual property

We own many patents, and have many patent applications pending, in the United States and other countries in fields relating to our business. We have developed a strong, broad-based patent portfolio and continually add patents to that portfolio. We also have agreements with numerous companies involving license rights to our portfolio and anticipate that other license agreements may be negotiated in the future. In general, our license agreements have multi-year terms and may be renewed after renegotiation. Our patent portfolio is an ongoing contributor to our revenue. We do not consider our business materially dependent upon any one patent or patent license, although taken as a whole, our rights and the products made and sold under patents and patent licenses are important to our business.

We often participate in industry initiatives to set technical standards. Our competitors may participate in the same initiatives. Participation in these initiatives may require us to license certain of our patents to other companies on reasonable and non-discriminatory terms.

We own trademarks that are used in the conduct of our business. These trademarks are valuable assets, the most important of which are “Texas Instruments” and our corporate monogram. DLP® is another valuable trademark.

Research and development

Our R&D expense was $1.28 billion in 2015, compared with $1.36 billion in 2014 and $1.52 billion in 2013. Our primary areas of R&D investment are Analog and Embedded Processing products.

We conduct most of our R&D internally. However, we also closely engage with a wide range of third parties, including software suppliers, universities and select industry consortia, and we collaborate with our foundry suppliers on semiconductor manufacturing technology.

Executive officers of the Registrant

The following is an alphabetical list of the names and ages of the executive officers of the company and the positions or offices with the company held by each person named:

Name	Age	Position
Stephen A. Anderson	54	Senior Vice President
Brian T. Crutcher	43	Executive Vice President
R. Gregory Delagi	53	Senior Vice President
Kevin P. March	58	Senior Vice President and Chief Financial Officer
Kevin J. Ritchie	59	Senior Vice President
Richard K. Templeton	57	Director; Chairman of the Board; President and Chief Executive Officer
Cynthia Hoff Trochu	52	Senior Vice President, Secretary and General Counsel
Teresa L. West	55	Senior Vice President
Darla H. Whitaker	50	Senior Vice President
Bing Xie	48	Senior Vice President

The term of office of these officers is from the date of their election until their successor shall have been elected and qualified. All have been employees of the company for more than five years. Messrs. Anderson, Crutcher, Delagi, March, Ritchie and Templeton and Mses. West and Whitaker have served as executive officers of the company for more than five years. Ms. Trochu and Mr. Xie became executive officers of the company in 2015.

Employees

At December 31, 2015, we had 29,977 employees.

Available information

Our Internet address is www.ti.com. Information on our web site is not a part of this report. We make available free of charge through our Investor Relations web site our reports on Forms 10-K, 10-Q and 8-K, and amendments to those reports, as soon as reasonably practicable after they are filed with the SEC. Also available through the TI Investor Relations web site are reports filed by our directors and executive officers on Forms 3, 4 and 5, and amendments to those reports.

Available on our web site at www.ti.com/corporategovernance are: (i) our Corporate Governance Guidelines; (ii) charters for the Audit, Compensation, and Governance and Stockholder Relations Committees of our board of directors; (iii) our Code of Conduct; and (iv) our Code of Ethics for TI Chief Executive Officer and Senior Finance Officers. 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, Attention: Investor Relations.

ITEM 1A. Risk Factors.

You should read the following risk factors in conjunction with the factors discussed elsewhere in this and other of our filings with the Securities and Exchange Commission (SEC) and in materials incorporated by reference into these filings. These risk factors are intended to highlight certain factors that may affect our financial condition and results of operations and are not meant to be an exhaustive discussion of risks that apply to companies like TI with broad international operations. Like other companies, we are susceptible to macroeconomic downturns in the United States or abroad that may affect the general economic climate and our performance and the performance of our customers. Similarly, the price of our securities is subject to volatility due to fluctuations in general market conditions, actual financial results that do not meet our and/or the investment community's expectations, changes in our and/or the investment community's expectations for our future results and other factors, many of which are beyond our control.

We face substantial competition that requires us to respond rapidly to product development and pricing pressures.

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from smaller competitors serving niche markets, and also from emerging companies, particularly in Asia, that sell products into the same markets in which we operate. For example, the China market is highly competitive, and both international and domestic competitors are aggressively seeking to increase their market share. Additionally, we may face increased competition as a result of China's adoption of policies designed to promote its domestic semiconductor industry. Certain of our competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products, and consolidation among our competitors may allow them to compete more effectively. Additionally, traditional intellectual property licensors are increasingly providing functionality, designs and complete hardware or software solutions that compete with our products. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

Rapid technological change in markets we serve requires us to develop new technologies and products.

Rapid technological change in markets we serve could contribute to shortened product life cycles and a decline in average selling prices of our products. Our results of operations depend in part upon our ability to successfully develop, manufacture and market innovative products. We require significant investments to develop new technologies and products that meet changing customer demands, and we might not realize a return on our investments because they are generally made before commercial viability can be assured. Further, projects that are commercially viable may not contribute significant revenue until at least a few years after they are completed.

FORM 10-K

Changes in expected demand for our products could have a material adverse effect on our results of operations.

Our customers include companies in a wide range of end markets and sectors within those markets. If demand in one or more sectors within our end markets declines or grows at a significantly slower pace than management expects, our results of operations may be adversely affected. Additionally, the loss or significant curtailment of purchases by one or more of our large customers, including curtailments due to a change in the design or manufacturing sourcing policies or practices of these customers, or the timing of customer or distributor inventory adjustments, may adversely affect our results of operations and financial condition.

Our results of operations also might suffer because of a general decline in customer demand resulting from, for example: uncertainty regarding the stability of global credit and financial markets; natural events or domestic or international political, social, economic or other conditions; breaches of customer information technology systems that disrupt customer operations; or a customer's inability to access credit markets and other sources of needed liquidity.

Our ability to match inventory and production with the product mix needed to fill orders may affect our ability to meet a quarter's revenue forecast. In addition, when responding to customers' requests for shorter shipment lead times, we manufacture products based on forecasts of customers' demands. These forecasts are based on multiple assumptions. If we inaccurately forecast customer demand, we may hold inadequate, excess or obsolete inventory that would reduce our profit margins and adversely affect our results of operations and financial condition.

Our margins may vary over time.

Our profit margins may be adversely affected by a number of factors, including decreases in customer demand and shipment volume; obsolescence of our inventory; and shifts in our product mix. In addition, we operate in a highly competitive market environment that might adversely affect pricing for our products. Because we own much of our manufacturing capacity, a significant portion of our operating costs is fixed. In general, these fixed costs do not decline with reductions in customer demand or factory loadings, and can adversely affect profit margins as a result.

Cyclicality in the semiconductor market may affect our performance.

Semiconductor products are the principal source of our revenue. The cyclical nature of the semiconductor market may lead to significant and often rapid increases and decreases in product demand. These changes could have adverse effects on our results of operations, and on the market price of our securities.

Our global operations subject us to risks associated with domestic or international political, social, economic or other conditions.

We have facilities in more than 30 countries. About 85 percent of our revenue comes from shipments to locations outside the United States; in particular, shipments of products into China typically represent a large portion of our revenue. We are exposed to political, social and economic conditions, security risks, terrorism or other hostile acts, health conditions, labor conditions, and possible disruptions in transportation, communications and information technology networks of the various countries in which we operate. Any of these could result in an adverse effect on our operations and our financial results. Additionally, in periods when the U.S. dollar significantly fluctuates in relation to the non-U.S. currencies in which we transact business, the remeasurement of non-U.S. dollar transactions can have an adverse effect on our results of operations and financial condition.

Our results of operations could be affected by natural events in the locations in which we operate.

We have manufacturing, data and design facilities and other operations in locations subject to natural occurrences such as severe weather, geological events or health epidemics that could disrupt operations. A natural disaster that results in a prolonged disruption to our operations may adversely affect our results and financial condition.

We face supply chain and manufacturing risks.

We rely on third parties to supply us with goods and services in a cost-effective and timely manner. Our access to needed goods and services may be adversely affected if our suppliers' operations were disrupted as a result of, for example: quality excursions; uncertainty regarding the stability of global credit and financial markets; domestic or international political, social, economic and other conditions; natural events in the locations in which our suppliers operate; or limited or delayed access to key raw materials, natural resources, and utilities. Additionally, a breach of our suppliers' information technology systems could result in a release of our confidential or proprietary information. If our suppliers are unable to access credit markets and other sources of needed liquidity, we may be unable to obtain needed supplies, collect accounts receivable or access needed technology.
In particular, our manufacturing processes and critical manufacturing equipment require that certain key raw materials, natural resources and utilities be available. Limited or delayed access to and high costs of these items could adversely affect our results of operations. Our products contain materials that are subject to conflict minerals reporting requirements. Our relationships with customers and suppliers may be adversely affected if we are unable to describe our products as conflict-free. Additionally, our costs may increase if one or more of our customers demands that we change the sourcing of materials we cannot identify as conflict-free.

Our inability to timely implement new manufacturing technologies or install manufacturing equipment could adversely affect our results of operations. We subcontract a portion of our wafer fabrication and assembly and testing of our products, and we depend on third parties to provide advanced logic manufacturing process technology development. We do not have long-term contracts with all of these suppliers, and the number of alternate suppliers is limited. Reliance on these suppliers involves risks, including possible shortages of capacity in periods of high demand, suppliers' inability to develop and deliver advanced logic manufacturing process technology in a timely, cost effective, and appropriate manner and the possibility of suppliers' imposition of increased costs on us.

Our operating results and our reputation could be adversely affected by breaches of our information technology systems.

Breaches of our information technology systems could be caused by computer viruses, unauthorized access, sabotage, vandalism or terrorism. These breaches could compromise our information technology networks and could result in unauthorized release of our, our customers' or our suppliers' confidential or proprietary information, cause a disruption to our manufacturing and other operations, result in release of employee personal data, or cause us to incur increased information technology protection costs, any of which could adversely affect our operating results and our reputation.

Our performance depends in part on our ability to enforce our intellectual property rights and to develop and license new intellectual property.

Access to worldwide markets depends in part on the continued strength of our intellectual property portfolio. There can be no assurance that, as our business expands into new areas, we will be able to independently develop the technology, software or know-how necessary to conduct our business or that we can do so without infringing the intellectual property rights of others. To the extent that we have to rely on licensed technology from others, there can be no assurance that we will be able to obtain licenses at all or on terms we consider reasonable. The lack of a necessary license could expose us to claims for damages and/or injunction from third parties, as well as claims for indemnification by our customers in instances where we have a contractual or other legal obligation to indemnify them against damages resulting from infringement claims.

We actively enforce and protect our own intellectual property rights. However, there can be no assurance that our efforts will be adequate to prevent misappropriation or improper use of our protected technology. Moreover, the laws of countries where we operate may not protect our intellectual property rights to the same extent as U.S. laws.

We benefit from royalty revenue generated from various patent license agreements. The amount of such revenue depends in part on negotiations with new licensees, and with existing licensees in connection with renewals of their licenses. There is no guarantee that such negotiations will be successful. Future royalty revenue also depends on the strength and enforceability of our patent portfolio and our enforcement efforts, and on the sales and financial stability of our licensees. Additionally, consolidation of our licensees may negatively affect our royalty revenue. Royalty revenue from licensees is not always uniform or predictable, in part due to the performance of our licensees and in part due to the timing of new license agreements or the expiration and renewal of existing agreements.

Our operations could be affected by the complex laws, rules and regulations to which our business is subject.

We are subject to complex laws, rules and regulations affecting our domestic and international operations relating to, for example, the environment, safety and health; exports and imports; bribery and corruption; tax; data privacy and protection; labor and employment; competition; and intellectual property ownership and infringement. Compliance with these laws, rules and regulations may be onerous and expensive, and if we fail to comply or if we become subject to enforcement activity, our ability to manufacture our products and operate our business could be restricted and we could be subject to fines, penalties or other legal liability. Furthermore, should these laws, rules and regulations be amended or expanded, or new ones enacted, we could incur materially greater compliance costs or restrictions on our ability to manufacture our products and operate our business.

Some of these complex laws, rules and regulations – for example, those related to environmental, safety and health requirements – may particularly affect us in the jurisdictions in which we manufacture products, especially if such laws and regulations: require the use of abatement equipment beyond what we currently employ; require the addition or elimination of a raw material or process to or from our current manufacturing processes; or impose costs, fees or reporting requirements on the direct or indirect use of energy, natural resources, or materials or gases used or emitted into the environment in connection with the manufacture of our products. A substitute for a prohibited raw material or process might not be available, or might not be available at reasonable cost.

Our results of operations and our reputation could be affected by warranty claims, product recalls, product liability claims, or legal proceedings.

We could be subject to claims based on warranty, product liability, epidemic or delivery failures, or other grounds relating to our products, manufacturing, services, designs or communications that could lead to significant expenses as we defend such claims or pay damage awards or settlements. In the event of a claim, we may also incur costs if we decide to compensate the affected customer or end consumer. We maintain product liability insurance, but there is no guarantee that such insurance will be available or adequate to protect against all such claims. In addition, it is possible for one of our customers to recall a product containing a TI part. In such instances, we may incur costs and expenses relating to the recall. Costs or payments we may make in connection with warranty, epidemic failure and delivery claims, product recalls or other legal proceedings may adversely affect our results of operations and financial condition and our reputation.

Our results of operations could be affected by changes in tax-related matters.

We have facilities in more than 30 countries and as a result are subject to taxation and audit by a number of taxing authorities. Tax rates vary among the jurisdictions in which we operate. If our tax rate increases, our results of operations could be adversely affected. A number of factors could cause our tax rate to increase, including a change in the jurisdictions in which our profits are earned and taxed; a change in the mix of profits from those jurisdictions; changes in available tax credits; changes in applicable tax rates; or adverse resolution of audits by taxing authorities.

In addition, we are subject to laws and regulations in various jurisdictions that determine how much profit has been earned and when it is subject to taxation in that jurisdiction. Changes in these laws and regulations could affect the locations where we are deemed to earn income, which could in turn affect our results of operations. We have deferred tax assets on our balance sheet. Changes in applicable tax laws and regulations or in our business performance could affect our ability to realize those deferred tax assets, which could also affect our results of operations. Each quarter we forecast our tax liability based on our forecast of our performance for the year. If that performance forecast changes, our forecasted tax liability will change.

We have not made a provision for U.S. income tax on the portion of our undistributed earnings of our non-U.S. subsidiaries that is considered permanently reinvested outside the United States. If in the future we repatriate any of these foreign earnings, we might incur incremental U.S. income tax, which could affect our results of operations.

Our results of operations could be adversely affected by our distributors' promotion of competing product lines or our distributors' financial performance.

In 2015, about 60 percent of our revenue was generated from sales of our products through distributors. Our distributors carry competing product lines, and our sales could be affected if our distributors promote competing products over our products. Moreover, our results of operations could be affected if our distributors suffer financial difficulties that result in their inability to pay amounts owed to us.

Our results of operations and financial condition could be adversely affected if a customer or a distributor suffers a loss with respect to our inventory.

We have consignment inventory programs in place for some of our largest customers and distributors. If a customer or distributor were to experience a loss with respect to TI-consigned inventory, our results of operations and financial condition may be adversely affected if we do not recover the full value of the lost inventory from the customer, distributor or insurer, or if our recovery is delayed.

Our debt could affect our operations and financial condition.

From time to time, we issue debt securities with various interest rates and maturities. While we believe we will have the ability to service this debt, our ability to make principal and interest payments when due depends upon our future performance, which will be subject to general economic conditions, industry cycles, and business and other factors affecting our operations, including the other risk factors described under Item 1A, many of which are beyond our control. In addition, our obligation to make principal and interest payments could divert funds that otherwise would be invested in our operations or returned to shareholders, or could cause us to raise funds by, for example, issuing new debt or equity or selling assets.

Our results of operations and liquidity could be affected by changes in the financial markets.

We maintain bank accounts, one or more multi-year revolving credit agreements, and a portfolio of investments to support the financing needs of the company. Our ability to fund our operations, invest in our business, make strategic acquisitions, service our debt obligations and meet our cash return objectives depends upon continuous access to our bank and investment accounts, and may depend on access to our bank credit lines that support commercial paper borrowings and provide additional liquidity through short-term bank loans. If we are unable to access these accounts and credit lines (for example, due to instability in the financial markets), our results of operations and financial condition could be adversely affected and our ability to access the capital markets or redeem our investments could be restricted.

Increases in health care and pension benefit costs could affect our results of operations and financial condition.

Federal and state health care reform programs could increase our costs with regard to medical coverage of our employees, which could reduce profitability and affect our results of operations and financial condition. In addition, obligations related to our pension and other postretirement plans reflect assumptions that affect the planned funding and costs of these plans, including the actual return on plan assets, discount rates, plan participant population demographics and changes in pension regulations. Changes in these assumptions may affect plan funding, cash flow and results of operations, and our costs and funding obligations could increase significantly if our plans' actual experience differs from these assumptions.

Our continued success depends in part on our ability to retain and recruit a sufficient number of qualified employees in a competitive environment.

Our continued success depends in part on the retention and recruitment of skilled personnel, including technical, marketing, management and staff personnel. There can be no assurance that we will be able to successfully retain and recruit the key personnel that we require.

Our ability to successfully implement business and organizational changes could affect our business plans and results of operations.

From time to time, we undertake business and organizational changes, including acquisitions, divestitures and restructuring actions, to support or carry out our strategic objectives. Our failure to successfully implement these changes could adversely affect our business plans and operating results. For example, we may not realize the expected benefits of an acquisition if we are unable to timely and successfully integrate acquired operations, product lines and technology, and our pre-acquisition due diligence may not identify all possible issues and risks that might arise with respect to an acquisition. Further, we may not achieve or sustain the expected growth or cost savings benefits of business and organizational changes, and restructuring charges could differ materially in amount and timing from our expectations.

Material impairments of our goodwill or intangible assets could adversely affect our results of operations.

Charges associated with impairments of our goodwill or intangible assets could adversely affect our financial condition and results of operations. Goodwill is reviewed for impairment annually or more frequently if certain impairment indicators arise or upon the disposition of a significant portion of a reporting unit. The review compares the fair value for each reporting unit to its associated book value including goodwill. A decrease in the fair value associated with a reporting unit resulting from, among other things, unfavorable changes in the estimated future discounted cash flow of the reporting unit, may require us to recognize impairments of goodwill. Most of our intangible assets are amortized over their estimated useful lives, but they are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the future undiscounted cash flows expected to result from the use of the intangible asset and its eventual disposition is less than the carrying amount of the asset, we would recognize an impairment loss to the extent the carrying amount of the asset exceeds its fair value.

ITEM 1B. Unresolved Staff Comments.

Not applicable.

ITEM 2. Properties.

Our principal executive offices are located at 12500 TI Boulevard, Dallas, Texas. The following table indicates the general location of our principal manufacturing and design operations and the reportable segments that make major use of them. Except as otherwise indicated, we own these facilities.

	Analog	Embedded Processing
Dallas, Texas †	X	X
Sherman, Texas	X	
Houston, Texas		X
Tucson, Arizona *	X	
Santa Clara, California	X	
South Portland, Maine	X	
Aguascalientes, Mexico *	X	
Aizu, Japan	X	X
Miho, Japan	X	X
Chengdu, China †	X	X
Shanghai, China *	X	X
Bangalore, India †	X	X
Kuala Lumpur, Malaysia †	X	X
Melaka, Malaysia †	X	
Baguio, Philippines †	X	X
Pampanga (Clark), Philippines †	X	X
Taipei, Taiwan †	X	X
Freising, Germany	X	X
Greenock, Scotland	X	

* Leased.

† Portions of the facilities are leased and owned. This may include land leases, particularly for our non-U.S. sites.

Our facilities in the United States contained approximately 13.7 million square feet at December 31, 2015, of which approximately 1.2 million square feet were leased. Our facilities outside the United States contained approximately 10.2 million square feet at December 31, 2015, of which approximately 1.6 million square feet were leased.

At the end of 2015, we occupied substantially all of the space in our facilities.

Leases covering our currently occupied leased facilities expire at varying dates generally within the next five years. We believe our current properties are suitable and adequate for both their intended purpose and our current and foreseeable future needs.

ITEM 3. Legal Proceedings.

We are involved in various inquiries and proceedings that arise in the ordinary course of our business. We believe that the amount of our liability, if any, will not have a material adverse effect upon our financial condition, results of operations or liquidity.

ITEM 4. Mine Safety Disclosures.

Not applicable.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The information concerning the number of stockholders of record at December 31, 2015, is contained in Item 6, "Selected Financial Data."

Common stock prices and dividends

TI common stock is listed on The NASDAQ Global Select Market. The table below shows the high and low closing prices of TI common stock as reported by Bloomberg L.P. and the dividends paid per common share in each quarter during the past two years.

	Quarter			
	1st	2nd	3rd	4th
Stock prices:				
2015 High	**$ 59.94**	**$ 58.73**	**$ 52.08**	**$ 58.98**
Low	**51.78**	**51.51**	**43.52**	**48.44**
2014 High	47.16	48.47	49.29	55.62
Low	40.89	44.89	45.67	41.93
Dividends paid:				
2015	**$ 0.34**	**$ 0.34**	**$ 0.34**	**$ 0.38**
2014	0.30	0.30	0.30	0.34

Issuer purchases of equity securities

The following table contains information regarding our purchases of our common stock during the fourth quarter of 2015.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2015 through October 31, 2015	8,220,390	$ 52.16	8,220,390	$ 8.13 billion
November 1, 2015 through November 30, 2015	3,028,345	57.09	3,028,345	7.96 billion
December 1, 2015 through December 31, 2015	458,008	55.41	458,008	7.93 billion
Total	11,706,743 (2)	$ 53.56	11,706,743 (2)	$ 7.93 billion (3)

(1) All purchases during the quarter were made under the authorization from our board of directors to purchase up to $5.0 billion of additional shares of TI common stock announced on February 21, 2013. On September 17, 2015, our board of directors authorized the purchase of an additional $7.5 billion of our common stock. No expiration date has been specified for these authorizations.

(2) All purchases during the quarter were open-market purchases.

(3) As of December 31, 2015, this amount consisted of the remaining portion of the $5.0 billion authorized in February 2013 and the $7.5 billion authorized in September 2015.

ITEM 6. Selected Financial Data.

(Millions of dollars, except share and per-share amounts)	For Years Ended December 31, 2015	2014	2013	2012	2011
Cash flow data:					
Cash flows from operating activities	**$ 4,268**	$ 3,892	$ 3,384	$ 3,414	$ 3,256
Capital expenditures	**551**	385	412	495	816
Free cash flow (a)	**3,717**	3,507	2,972	2,919	2,440
Dividends paid	**1,444**	1,323	1,175	819	644
Stock repurchases	**2,741**	2,831	2,868	1,800	1,973
Income statement data:					
Revenue by segment:					
Analog	**8,339**	8,104	7,194	6,998	6,375
Embedded Processing	**2,787**	2,740	2,450	2,257	2,381
Other	**1,874**	2,201	2,561	3,570	4,979
Revenue	**13,000**	13,045	12,205	12,825	13,735
Gross profit	**7,560**	7,427	6,364	6,368	6,772
Operating expenses (R&D and SG&A)	**3,028**	3,201	3,380	3,681	3,353
Acquisition charges	**329**	330	341	450	315
Restructuring charges/other	**(71)**	(51)	(189)	264	112
Operating profit	**4,274**	3,947	2,832	1,973	2,992
Net income	**$ 2,986**	$ 2,821	$ 2,162	$ 1,759	$ 2,236

As a result of accounting rule ASC 260, which requires a portion of Net income to be allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents, diluted earnings per share (EPS) is calculated using the following:

	2015	2014	2013	2012	2011
Net income	**$ 2,986**	$ 2,821	$ 2,162	$ 1,759	$ 2,236
Income allocated to RSUs	**(42)**	(43)	(36)	(31)	(34)
Income allocated to common shares for diluted EPS	**$ 2,944**	$ 2,778	$ 2,126	$ 1,728	$ 2,202
Average diluted shares outstanding, in millions	**1,043**	1,080	1,113	1,146	1,171
Diluted earnings per common share	**$ 2.82**	$ 2.57	$ 1.91	$ 1.51	$ 1.88
Cash dividends declared per common share	**$ 1.40**	$ 1.24	$ 1.07	$ 0.72	$ 0.56

(a) Free cash flow is a non-GAAP measure derived by subtracting Capital expenditures from Cash flows from operating activities.

(Millions of dollars, except Other data items)	December 31, 2015	2014	2013	2012	2011
Balance sheet data:					
Cash, cash equivalents and short-term investments	**$ 3,218**	$ 3,541	$ 3,829	$ 3,965	$ 2,935
Total assets (b)	**16,230**	17,372	18,554	19,565	19,901
Current portion of long-term debt and commercial paper borrowings	**1,000**	1,001	1,000	1,500	1,381
Long-term debt (b)	**3,120**	3,630	4,145	4,175	4,201
Other data – Number of:					
Employees	**29,977**	31,003	32,209	34,151	34,759
Stockholders of record	**15,563**	16,361	17,213	18,128	19,733

(b) Prior periods reclassified to conform to the 2015 presentation, having adopted certain accounting standards. See Note 2.

See Notes to the financial statements and Management's discussion and analysis of financial condition and results of operations.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. Our business model is carefully constructed around the following attributes:

- *Industry's broadest portfolio of differentiated analog and embedded processing semiconductors.* Our customers' design engineers need at least one, and most times multiple, chips for their systems. The breadth of our portfolio means we can solve more of these needs than can our competitors, which gives us access to more customers and the opportunity to generate more revenue per system. We invest more than $1 billion each year to develop new products for our portfolio.
- *A strong foundation of manufacturing technology and low-cost production.* We invest in manufacturing technologies that differentiate the features of our semiconductors, and we do most of our own production in-house, as opposed to outsourcing it. This ability to directly control our manufacturing helps ensure a consistent supply of products for our customers. We produce billions of semiconductors each year on a mixture of 150-, 200- and 300-millimeter wafers, and we are able to keep costs low for manufacturing facilities and equipment because our analog and much of our embedded processing semiconductors can be made using mature assets that we acquire ahead of demand when their prices are most attractive. In 2015, we produced approximately 25 percent of our Analog semiconductors on 300-millimeter wafers, the industry's largest wafers, which have a 40 percent cost advantage per unpackaged chip over 200-millimeter wafers. The majority of our future Analog growth will be produced on 300-millimeter wafers, which will be meaningful to the growth of our margins and cash flow over the long term.
- *Industry's largest market channels.* Our global sales force is larger than those of our competitors, and the breadth of our portfolio attracts tens of millions of visits to our web site each year where customers often begin their initial product searches and design-in journey. These capabilities combine to provide us unique access to more than 100,000 customers.
- *Diversity and longevity in our products and in the markets we serve.* The attributes above result in diverse and long-lived positions that deliver high terminal value to our shareholders. Because of the breadth of our portfolio we are not dependent on any single product, and because of the breadth of our markets we are not dependent on any single application or customer. Some of our products generate revenue for decades, which strengthens the return on our investments.

The combined effect of these attributes is that we have consistently grown free cash flow and gained market share in Analog and Embedded Processing. These attributes put us in a unique class of companies with the ability to grow, generate cash, and return that cash to shareholders.

Management's discussion and analysis of financial condition and results of operations (MD&A) should be read in conjunction with the financial statements and the related notes that appear elsewhere in this document. In the following discussion of our results of operations:

- All dollar amounts in the tables are stated in millions of U.S. dollars.
- When we discuss our results:
  - Unless otherwise noted, changes in our revenue are attributable to changes in customer demand, which are evidenced by fluctuations in shipment volumes.
  - New products tend not to have a significant impact on our revenue in any given period because we sell such a large number of products.
  - From time to time, our revenue and gross profit are affected by changes in demand for higher-priced or lower-priced products, which we refer to as changes in the "mix" of products shipped.
  - Because we own much of our manufacturing capacity, a significant portion of our operating cost is fixed. When factory loadings decrease, our fixed costs are spread over reduced output and, absent other circumstances, our profit margins decrease. Conversely, as factory loadings increase, our fixed costs are spread over increased output and, absent other circumstances, our profit margins increase. Increases and decreases in factory loadings tend to correspond to increases and decreases in demand.
  - The term "legacy wireless products" refers to our baseband products, OMAP™ applications processors and connectivity products sold into smartphones and consumer tablets. Our exit from legacy wireless products was complete in 2013.
- Our segments represent groups of similar products that are combined on the basis of similar design and development requirements, product characteristics, manufacturing processes and distribution channels, and how management allocates resources and measures results. See Note 1 to the financial statements for more information regarding our segments.

FORM 10-K

Results of operations

We continued to perform well in 2015, reflecting our focus on Analog and Embedded Processing semiconductors. These products serve highly diverse markets with thousands of applications, and we believe have dependable long-term growth opportunities. In 2015, Analog and Embedded Processing represented 86 percent of revenue, up from 83 percent in 2014. Gross margin of 58.2 percent for the year, a new record, reflects the quality of our product portfolio, as well as the efficiency of our manufacturing strategy.

Our focus on Analog and Embedded Processing allows us to generate strong cash flow from operations. In 2015, free cash flow, also a record, was 28.6 percent of revenue, up from 26.9 percent a year ago and consistent with our targeted range of 20-30 percent of revenue. During the year, we returned $4.2 billion of cash to investors through a combination of stock repurchases and dividends. Free cash flow is a non-GAAP financial measure. For a reconciliation to GAAP and an explanation of the reason for providing this non-GAAP measure, see the Non-GAAP financial information section after the Liquidity and capital resources section.

Details of financial results – 2015 compared with 2014

Revenue of $13.00 billion was about even with 2014, as higher revenue from Analog and Embedded Processing was offset by lower revenue from Other. Our 2015 revenue was negatively affected by about $150 million from changes in foreign currency exchange rates.

Gross profit was $7.56 billion, an increase of $133 million, or 2 percent, due to lower manufacturing costs. Gross profit margin was 58.2 percent of revenue compared with 56.9 percent.

Operating expenses were $1.28 billion for R&D and $1.75 billion for SG&A. R&D expense decreased $78 million, or 6 percent, and SG&A decreased $95 million, or 5 percent. Both comparisons reflect savings from ongoing efforts across the company to align costs with growth opportunities, including the completed restructuring actions in Embedded Processing and Japan. These decreases were partially offset by higher compensation-related costs.

Acquisition charges were related to our 2011 acquisition of National Semiconductor and were $329 million, about even with 2014. These non-cash charges were primarily from the amortization of intangible assets. See Note 13 to the financial statements.

Restructuring charges/other was a net credit of $71 million, which included gains on sales of assets of $83 million that were partially offset by $12 million related to restructuring charges and other credits. This compared with a net credit of $51 million in 2014, reflecting gains on sales of assets of $75 million that were partially offset by restructuring charges and other expenses of $24 million. These amounts are included in Other for segment reporting purposes. See Note 3 to the financial statements.

Operating profit was $4.27 billion, or 32.9 percent of revenue, compared with $3.95 billion, or 30.3 percent of revenue.

The income tax provision was $1.23 billion compared with $1.05 billion. The increase in the total tax provision was due to higher income before income taxes and, to a lesser extent, a lower benefit from non-U.S. effective tax rates. Our annual effective tax rate was 29 percent in 2015 and 27 percent in 2014. See Note 6 to the financial statements for a reconciliation of the income tax provision to the statutory federal tax.

Net income was $2.99 billion, an increase of $165 million, or 6 percent. EPS was $2.82 compared with $2.57. EPS benefited $0.07 due to a lower number of average shares outstanding as a result of our stock repurchase program.

In the near term, for the first quarter of 2016, we expect about a $150 million decline in revenue from the first quarter of 2015 within a sector of the personal electronics market.

FORM 10-K

Segment results – 2015 compared with 2014

Analog (includes High Volume Analog & Logic (HVAL), Power Management (Power), High Performance Analog (HPA) and Silicon Valley Analog (SVA) product lines)

	2015	2014	Change
Revenue	**$ 8,339**	$ 8,104	3%
Operating profit	**3,048**	2,786	9%
Operating profit % of revenue	**36.6%**	34.4%	

Analog revenue increased primarily due to HVAL. Power and SVA also grew, but to a lesser extent. HPA declined due to the mix of products shipped. Operating profit increased due to higher revenue and associated gross profit and, to a lesser extent, lower manufacturing costs.

Embedded Processing (includes Microcontrollers, Processors and Connectivity product lines)

	2015	2014	Change
Revenue	**$ 2,787**	$ 2,740	2%
Operating profit	**596**	384	55%
Operating profit % of revenue	**21.4%**	14.0%	

Embedded Processing revenue increased due about equally to Connectivity and Microcontrollers, which together offset a decline in Processors. Operating profit increased primarily due to lower operating expenses.

Other (includes DLP products, calculators, custom ASICs and royalties)

	2015	2014	Change
Revenue	**$ 1,874**	$ 2,201	-15%
Operating profit *	**630**	777	-19%
Operating profit % of revenue	**33.6%**	35.3%	

* Includes Acquisition charges and Restructuring charges/other

Other revenue declined primarily due to custom ASICs. Revenue from DLP products also declined, but to a lesser extent. Operating profit declined primarily due to lower revenue and associated gross profit.

Prior results of operations

In 2014, Analog revenue grew 13 percent and Embedded Processing revenue grew 12 percent. Gross margin of 56.9 percent for 2014 reflected the diversity and longevity of our product portfolio, as well as the efficiency of our manufacturing strategy. In 2014, free cash flow was 26.9 percent of revenue, up from 24.4 percent in 2013. During 2014, we returned $4.2 billion of cash to investors through a combination of stock repurchases and dividends.

Details of financial results – 2014 compared with 2013

Revenue was $13.05 billion, up $840 million, or 7 percent, from 2013 due to higher revenue from Analog and Embedded Processing. These increases more than offset lower revenue from legacy wireless products.

Gross profit was $7.43 billion, an increase of $1.06 billion, or 17 percent, from 2013 primarily due to higher revenue and, to a lesser extent, the mix of products shipped. Gross profit margin was 56.9 percent of revenue compared with 52.1 percent in 2013.

Operating expenses were $1.36 billion for R&D and $1.84 billion for SG&A. R&D expense decreased $164 million, or 11 percent, from 2013 primarily due to savings from ongoing efforts across the company to align costs with growth opportunities, including the wind-down of our legacy wireless products and restructuring actions in Embedded Processing and Japan. SG&A expense was about even, as higher variable compensation costs were offset by savings from our cost alignment efforts.

Acquisition charges were related to our 2011 acquisition of National Semiconductor and were $330 million compared with $341 million in 2013. The charges were primarily from the amortization of intangible assets.

Restructuring charges/other was a net credit of $51 million, which included gains on sales of assets of $75 million that were partially offset by restructuring charges and other expenses of $24 million. This compared with a net credit of $189 million in 2013, reflecting a $315 million gain from our transfer of wireless connectivity technology to a customer that was partially offset by restructuring charges of $126 million.

Operating profit was $3.95 billion, or 30.3 percent of revenue, compared with $2.83 billion, or 23.2 percent, in 2013.

The income tax provision was $1.05 billion compared with $592 million in 2013. The increase in the total tax provision was due to higher income before income taxes and, to a lesser extent, the effect of the retroactive reinstatement of the federal research tax credit for 2012 in 2013. Our annual effective tax rate was 27 percent in 2014 and 24 percent in 2013.

Net income was $2.82 billion, an increase of $659 million, or 30 percent, from 2013. EPS was $2.57 compared with $1.91 in 2013. EPS benefited $0.07 from 2013 due to a lower number of average shares outstanding as a result of our stock repurchase program.

Segment results – 2014 compared with 2013

Analog

	2014	2013	Change
Revenue	$ 8,104	$ 7,194	13%
Operating profit	2,786	1,859	50%
Operating profit % of revenue	34.4%	25.8%	

Analog revenue increased in all products lines. Revenue from Power grew the most, followed by revenue from, in decreasing order, HPA, HVAL and SVA. Operating profit increased primarily due to higher revenue and associated gross profit.

Embedded Processing

	2014	2013	Change
Revenue	$ 2,740	$ 2,450	12%
Operating profit	384	185	108%
Operating profit % of revenue	14.0%	7.6%	

Embedded Processing revenue increased primarily due to Microcontrollers and Processors, which contributed about equally to the increase. Connectivity increased to a lesser extent. Revenue from Processors increased as a result of the mix of products shipped. Operating profit increased primarily due to higher revenue and associated gross profit.

Other

	2014	2013	Change
Revenue	$ 2,201	$ 2,561	-14%
Operating profit *	777	788	-1%
Operating profit % of revenue	35.3%	30.8%	

* Includes Acquisition charges and Restructuring charges/other

Other revenue decreased due to legacy wireless products. Operating profit was about even as reductions in operating expenses were offset by changes in Restructuring charges/other.

Financial condition

At the end of 2015, total cash (Cash and cash equivalents plus Short-term investments) was $3.22 billion, a decrease of $323 million from the end of 2014.

Accounts receivable were $1.17 billion at the end of 2015. This was a decrease of $81 million compared with the end of 2014. Days sales outstanding were 33 at the end of 2015 compared with 34 at the end of 2014.

Inventory was $1.69 billion at the end of 2015. This was a decrease of $93 million from the end of 2014. Days of inventory at the end of 2015 were 115 compared with 117 at the end of 2014.

Liquidity and capital resources

Our primary source of liquidity is cash flow from operations. Additional sources of liquidity are Cash and cash equivalents, Short-term investments and a variable rate revolving credit facility. Cash flows from operating activities for 2015 was $4.27 billion, an increase of $376 million from 2014 primarily due to an increase in cash provided by working capital.

Our revolving credit facility is with a consortium of investment-grade banks and allows us to borrow up to $2 billion until March 2020. This credit facility also serves as support for the issuance of commercial paper. As of December 31, 2015, our credit facility was undrawn, and we had no commercial paper outstanding.

In 2015, investing activities used $302 million compared with $377 million in 2014. For 2015, Capital expenditures were $551 million compared with $385 million in 2014. Capital expenditures in both periods were primarily for semiconductor manufacturing equipment. In 2015, we had sales of short-term investments, net of purchases, that provided cash of $125 million. In comparison, in 2014 we had purchases of short-term investments, net of sales, that used cash of $141 million. In addition, we had proceeds from sales of assets of $110 million in 2015 compared with $142 million in 2014.

In 2015, financing activities used $4.17 billion compared with $3.94 billion in 2014. In both 2015 and 2014, we received proceeds of $498 million from the issuance of fixed-rate long-term debt (net of original issuance discount) and repaid $1.00 billion of maturing debt. Dividends paid in 2015 were $1.44 billion compared with $1.32 billion in 2014, reflecting increases in the dividend rate. During 2015, the quarterly dividend increased from $0.34 to $0.38 per share, resulting in an annualized dividend payment of $1.52 per share. During 2014, we increased our quarterly dividend from $0.30 to $0.34 per share. In 2015, we used $2.74 billion to repurchase 51.4 million shares of our common stock. This compared with $2.83 billion used in 2014 to repurchase 61.7 million shares. Employee exercises of stock options are also reflected in Cash flows from financing activities. In 2015, these exercises provided cash proceeds of $442 million compared with $616 million in 2014.

We had $1.00 billion of Cash and cash equivalents and $2.22 billion of Short-term investments as of December 31, 2015, with our U.S. entities owning about 80 percent of these amounts combined at the end of 2015. We believe we have the necessary financial resources and operating plans to fund our working capital needs, capital expenditures, dividend and debt-related payments, and other business requirements for at least the next 12 months.

Non-GAAP financial information

This MD&A includes references to free cash flow and ratios based on that measure. These are financial measures that were not prepared in accordance with generally accepted accounting principles in the United States (GAAP). Free cash flow was calculated by subtracting Capital expenditures from the most directly comparable GAAP measure, Cash flows from operating activities (also referred to as cash flow from operations). We believe that free cash flow and the associated ratios provide insight into our liquidity, our cash-generating capability and the amount of cash potentially available to return to investors, as well as insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures. Reconciliation to the most directly comparable GAAP-based measures is provided in the table below.

	For Years Ended December 31,		
	2015	**2014**	**2013**
Cash flow from operations (GAAP)	**$ 4,268**	$ 3,892	$ 3,384
Capital expenditures	**(551)**	(385)	(412)
Free cash flow (non-GAAP)	**$ 3,717**	$ 3,507	$ 2,972
Revenue	**$ 13,000**	$ 13,045	$ 12,205
Cash flow from operations as a percent of revenue (GAAP)	**32.8%**	29.8%	27.7%
Free cash flow as a percent of revenue (non-GAAP)	**28.6%**	26.9%	24.4%

Long-term contractual obligations

Contractual Obligations	Payments Due by Period				
	2016	2017/2018	2019/2020	Thereafter	Total
Long-term debt obligations (a)	$ 1,083	$ 1,224	$ 1,312	$ 782	$ 4,401
Operating lease obligations (b)	69	90	40	62	261
Software license obligations (c)	30	2	—	—	32
Purchase obligations (d)	95	94	50	1	240
Deferred compensation plan (e)	13	39	35	82	169
Total (f)	$ 1,290	$ 1,449	$ 1,437	$ 927	$ 5,103

(a) Includes the related interest payments and amounts classified as the current portion of long-term debt, specifically obligations that will mature within 12 months.

(b) Includes minimum payments for leased facilities and equipment and purchases of industrial gases under contracts accounted for as operating leases.

(c) Includes payments under license agreements for electronic design automation software.

(d) Includes contractual arrangements with suppliers where there is a fixed, non-cancellable payment schedule or minimum payments due with a reduced delivery schedule. Excluded from the table are cancellable arrangements. However, depending on when certain purchase arrangements may be cancelled, an additional $4 million of cancellation penalties may be required to be paid, which are not reflected in the table.

(e) Includes an estimate of payments under this plan for the liability that existed at December 31, 2015.

(f) Excluded from the table are $84 million of uncertain tax liabilities under ASC 740, as well as any planned future funding contributions to retirement benefit plans. Amounts associated with uncertain tax liabilities have been excluded because of the difficulty in making reasonably reliable estimates of the timing of cash settlements with the respective taxing authorities. Regarding future funding of retirement benefit plans, we plan to contribute about $100 million in 2016, but funding projections beyond 2016 are not practical to estimate due to the rules affecting tax-deductible contributions and the impact from the plans' asset performance, interest rates and potential U.S. and non-U.S. legislation.

Critical accounting policies

In preparing our consolidated financial statements in conformity with accounting principles generally accepted in the United States, we use statistical analyses, estimates and projections that affect the reported amounts and related disclosures and may vary from actual results. We consider the following accounting policies to be those that are most important to the portrayal of our financial condition and that require the most subjective judgment. If actual results differ significantly from management's estimates and projections, there could be a significant effect on our financial statements.

Revenue recognition

We recognize revenue from sales of our products, including direct sales to our distributors, when title and risk of loss pass, which usually occurs upon shipment or delivery to the customer or distributor, depending upon the terms of the sales order; when persuasive evidence of an arrangement exists; when sales amounts are fixed or determinable; and when collectability is reasonably assured. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon resale of the products.

We recognize revenue net of allowances, which are management's estimates of future credits to be granted to customers or distributors under programs common in the semiconductor industry. These allowances are based on analysis of historical data, current economic conditions and contractual terms, and are recorded when revenue is recognized. Allowances may include volume-based incentives, product returns due to quality issues, incentives designed to maximize growth opportunities and special pricing arrangements. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities. To estimate allowances, we use statistical percentages of revenue, which are determined quarterly based upon recent historical adjustment trends. Historical claims data are maintained for each of the programs, with differences among geographic regions taken into consideration. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in distributor revenue and inventory levels. Allowances are also adjusted when recent historical data do not represent anticipated future activity.

We may also provide distributors an allowance to scrap certain slow-selling or obsolete products in their inventory, estimated as a negotiated fixed percentage of each distributor's purchases from us. In addition, if we publish a new price for a product that is lower than that paid by distributors for the same product still remaining in each distributor's on-hand inventory, we may credit them for the difference between those prices. The allowance for this type of credit is based on the identified product price difference applied to our estimate of each distributor's on-hand inventory of that product.

We believe we can reasonably and reliably estimate allowances for credits to distributors in a timely manner.

Revenue from sales of our products that are subject to inventory consignment agreements, including consignment arrangements with distributors, is recognized in accordance with the principles discussed above, but delivery occurs when the customer or distributor pulls product from consignment inventory that we store at designated locations.

We determine the amount and timing of royalty revenue related to licenses of our patent portfolio based on our contractual agreements with licensees. We recognize royalty revenue when earned under the terms of the agreements and when we consider realization of payment to be probable.

In addition, we record allowances for accounts receivable that we estimate may not be collected. We monitor collectability of accounts receivable primarily through review of the accounts receivable aging. When collection is at risk, we assess the impact on amounts recorded for bad debts and, if necessary, will record a charge in the period such determination is made. We include amounts received from customers for reimbursement of shipping fees in revenue. We include the costs of shipping and handling in COR.

Income taxes

In determining Net income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax provisions and the resultant tax liabilities, and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense.

In the ordinary course of global business, there may be many transactions and calculations where the ultimate tax outcome is uncertain. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax laws. We recognize potential liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on an estimate of the ultimate resolution of whether, and the extent to which, additional taxes will be due. Although we believe the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

As part of our financial process, we must assess the likelihood that our deferred tax assets can be recovered. If recovery is not likely, the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to be ultimately recoverable. In this process, certain relevant criteria are evaluated including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior years that can be used to absorb net operating losses and credit carrybacks, and taxable income in future years. Our judgment regarding future recoverability of our deferred tax assets based on these criteria may change due to various factors, including changes in U.S. or international tax laws and changes in market conditions and their impact on our assessment of taxable income in future periods. These changes, if any, may require material adjustments to the deferred tax assets and an accompanying reduction or increase in Net income in the period when such determinations are made. Also, our plans for the permanent reinvestment or eventual repatriation of the accumulated earnings of certain of our non-U.S. operations could change. Such changes could have a material effect on tax expense in future years.

In addition to the factors described above, the effective tax rate reflected in forward-looking statements is based on then-current tax law. Significant changes in tax law enacted during the year could affect these estimates. Retroactive changes in tax law enacted subsequent to the end of a reporting period are reflected in the period of enactment as a discrete tax item.

Inventory valuation allowances

Inventory is valued net of allowances for unsalable or obsolete raw materials, work-in-process and finished goods. Statistical allowances are determined quarterly for raw materials and work-in-process based on historical disposals of inventory for salability and obsolescence reasons. For finished goods, quarterly statistical allowances are determined by comparing inventory levels of individual parts to historical shipments, current backlog and estimated future sales in order to identify inventory judged unlikely to be sold. A specific allowance for each material type will be carried if there is a significant event not captured by the statistical allowance. Examples are an end-of-life part or demand with imminent risk of cancellation. Allowances are also calculated quarterly for instances where inventoried costs for individual products are in excess of market prices for those products. Actual future write-offs of inventory for salability and obsolescence reasons may differ from estimates and calculations used to determine valuation allowances due to changes in customer demand, customer negotiations, technology shifts and other factors.

Changes in accounting standards

See Note 2 to the financial statements for information on new accounting standards.

Off-balance sheet arrangements

As of December 31, 2015, we had no significant off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

Commitments and contingencies

See Note 12 to the financial statements for a discussion of our commitments and contingencies.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk.

Foreign exchange risk

The U.S. dollar is the functional currency for financial reporting. Our non-U.S. entities own assets or liabilities denominated in U.S. dollars or other currencies. Exchange rate fluctuations can have a significant impact on taxable income in those jurisdictions, and consequently on our effective tax rate.

Our balance sheet also reflects amounts remeasured from non-U.S. dollar currencies. Because most of the aggregate non-U.S. dollar balance sheet exposure is hedged by forward currency exchange contracts, based on year-end 2015 balances and currency exchange rates, a hypothetical 10 percent plus or minus fluctuation in non-U.S. currency exchange rates relative to the U.S. dollar would result in a pre-tax currency exchange gain or loss of less than $1 million.

We use these forward currency exchange contracts to reduce the earnings impact exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. For example, at year-end 2015, we had forward currency exchange contracts outstanding with a notional value of $464 million to hedge net balance sheet exposures (including $175 million to sell Japanese yen and $139 million to sell euros). Similar hedging activities existed at year-end 2014.

Interest rate risk

We have the following potential exposure to changes in interest rates: (1) the effect of changes in interest rates on the fair value of our investments in cash equivalents and short-term investments, which could produce a gain or a loss; and (2) the effect of changes in interest rates on the fair value of our debt.

As of December 31, 2015, a hypothetical 100 basis point increase in interest rates would decrease the fair value of our investments in cash equivalents and short-term investments by $6 million and decrease the fair value of our long-term debt by $111 million. Because interest rates on our long-term debt are fixed, changes in interest rates would not affect the cash flows associated with long-term debt.

Equity risk

Long-term investments at year-end 2015 include the following:

- *Investments in mutual funds* – includes mutual funds that were selected 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.
- *Investments in venture capital funds* – includes investments in limited partnerships (accounted for under either the equity or cost method).
- *Equity investments* – includes non-marketable (non-publicly traded) equity securities.

Investments in mutual funds are stated at fair value. Changes in prices of the mutual fund investments are expected to offset related changes in deferred compensation liabilities such that a 10 percent increase or decrease in the investments' fair values would not materially affect operating results. Non-marketable equity securities and some venture capital funds are stated at cost. Impairments deemed to be other-than-temporary are expensed in Net income. Investments in the remaining venture capital funds are stated using the equity method. See Note 8 to the financial statements for details of equity and other long-term investments.

FORM 10-K

ITEM 8. Financial Statements and Supplementary Data.

List of Financial Statements (Item 15(a))

Income for each of the three years in the period ended December 31, 2015

Comprehensive income for each of the three years in the period ended December 31, 2015

Balance sheets at December 31, 2015 and 2014

Cash flows for each of the three years in the period ended December 31, 2015

Stockholders' equity for each of the three years in the period ended December 31, 2015

Schedules have been omitted because the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements or the notes thereto.

Consolidated Statements of Income

(Millions of dollars, except share and per-share amounts)

	For Years Ended December 31,		
	2015	**2014**	**2013**
Revenue	**$ 13,000**	$ 13,045	$ 12,205
Cost of revenue (COR)	**5,440**	5,618	5,841
Gross profit	**7,560**	7,427	6,364
Research and development (R&D)	**1,280**	1,358	1,522
Selling, general and administrative (SG&A)	**1,748**	1,843	1,858
Acquisition charges	**329**	330	341
Restructuring charges/other	**(71)**	(51)	(189)
Operating profit	**4,274**	3,947	2,832
Other income (expense), net (OI&E)	**32**	21	17
Interest and debt expense	**90**	94	95
Income before income taxes	**4,216**	3,874	2,754
Provision for income taxes	**1,230**	1,053	592
Net income	**$ 2,986**	$ 2,821	$ 2,162
Earnings per common share (EPS):			
Basic	**$ 2.86**	$ 2.61	$ 1.94
Diluted	**$ 2.82**	$ 2.57	$ 1.91
Average shares outstanding (millions):			
Basic	**1,030**	1,065	1,098
Diluted	**1,043**	1,080	1,113
Cash dividends declared per common share	**$ 1.40**	$ 1.24	$ 1.07

As a result of accounting rule ASC 260, which requires a portion of Net income to be allocated to unvested restricted stock units (RSUs) on which we pay dividend equivalents, diluted EPS is calculated using the following:

Net income	**$ 2,986**	$ 2,821	$ 2,162
Income allocated to RSUs	**(42)**	(43)	(36)
Income allocated to common stock for diluted EPS	**$ 2,944**	$ 2,778	$ 2,126

See accompanying notes.

Consolidated Statements of Comprehensive Income

(Millions of dollars)

	For Years Ended December 31,		
	2015	**2014**	**2013**
Net income	**$ 2,986**	$ 2,821	$ 2,162
Other comprehensive income (loss)			
Net actuarial gains (losses) of defined benefit plans:			
Adjustment, net of tax benefit (expense) of $36, $25 and ($60)	**(74)**	(46)	105
Recognized within Net income, net of tax benefit (expense) of ($25), ($21) and ($37)	**53**	42	71
Prior service (cost) credit of defined benefit plans:			
Adjustment, net of tax benefit (expense) of ($11), $0 and $1	**20**	(1)	(3)
Recognized within Net income, net of tax benefit (expense) of $0, $0 and $2	**—**	—	(3)
Derivative instruments:			
Recognized within Net income, net of tax benefit (expense) of ($1), ($1) and ($1)	**1**	1	1
Other comprehensive income (loss), net of taxes	**—**	(4)	171
Total comprehensive income	**$ 2,986**	$ 2,817	$ 2,333

See accompanying notes.

Consolidated Balance Sheets

(Millions of dollars, except share amounts)

	December 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,000**	$ 1,199
Short-term investments	**2,218**	2,342
Accounts receivable, net of allowances of ($7) and ($12)	**1,165**	1,246
Raw materials	**109**	101
Work in process	**846**	896
Finished goods	**736**	787
Inventories	**1,691**	1,784
Prepaid expenses and other current assets	**1,000**	850
Total current assets	**7,074**	7,421
Property, plant and equipment at cost	**5,465**	6,266
Accumulated depreciation	**(2,869)**	(3,426)
Property, plant and equipment, net	**2,596**	2,840
Long-term investments	**221**	224
Goodwill, net	**4,362**	4,362
Acquisition-related intangibles, net	**1,583**	1,902
Deferred income taxes	**201**	180
Capitalized software licenses, net	**46**	83
Overfunded retirement plans	**85**	127
Other assets	**62**	233
Total assets	**$ 16,230**	$ 17,372
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	**$ 1,000**	$ 1,001
Accounts payable	**386**	437
Accrued compensation	**664**	651
Income taxes payable	**95**	71
Accrued expenses and other liabilities	**410**	498
Total current liabilities	**2,555**	2,658
Long-term debt	**3,120**	3,630
Underfunded retirement plans	**196**	225
Deferred income taxes	**37**	64
Deferred credits and other liabilities	**376**	405
Total liabilities	**6,284**	6,982
Stockholders' equity:		
Preferred stock, $25 par value. Authorized – 10,000,000 shares Participating cumulative preferred. None issued.	**—**	—
Common stock, $1 par value. Authorized – 2,400,000,000 shares Shares issued – 1,740,815,939	**1,741**	1,741
Paid-in capital	**1,629**	1,368
Retained earnings	**31,176**	29,653
Treasury common stock at cost Shares: 2015 – 729,547,527; 2014 – 694,189,127	**(24,068)**	(21,840)
Accumulated other comprehensive income (loss), net of taxes (AOCI)	**(532)**	(532)
Total stockholders' equity	**9,946**	10,390
Total liabilities and stockholders' equity	**$ 16,230**	$ 17,372

See accompanying notes.

Consolidated Statements of Cash Flows

(Millions of dollars)

	For Years Ended December 31,		
	2015	**2014**	**2013**
Cash flows from operating activities			
Net income	**$ 2,986**	$ 2,821	$ 2,162
Adjustments to Net income:			
Depreciation	**766**	850	879
Amortization of acquisition-related intangibles	**319**	321	336
Amortization of capitalized software	**48**	59	82
Stock-based compensation	**286**	277	287
Gains on sales of assets	**(85)**	(73)	(6)
Deferred income taxes	**(55)**	(61)	50
Increase (decrease) from changes in:			
Accounts receivable	**77**	(49)	16
Inventories	**93**	(53)	26
Prepaid expenses and other current assets	**94**	65	(136)
Accounts payable and accrued expenses	**(188)**	(194)	(284)
Accrued compensation	**7**	89	18
Income taxes payable	**11**	(81)	78
Changes in funded status of retirement plans	**(23)**	(58)	28
Other	**(68)**	(21)	(152)
Cash flows from operating activities	**4,268**	3,892	3,384
Cash flows from investing activities			
Capital expenditures	**(551)**	(385)	(412)
Proceeds from asset sales	**110**	142	21
Purchases of short-term investments	**(2,767)**	(3,107)	(3,907)
Proceeds from short-term investments	**2,892**	2,966	4,249
Other	**14**	7	46
Cash flows from investing activities	**(302)**	(377)	(3)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	**498**	498	986
Repayment of debt	**(1,000)**	(1,000)	(1,500)
Dividends paid	**(1,444)**	(1,323)	(1,175)
Stock repurchases	**(2,741)**	(2,831)	(2,868)
Proceeds from common stock transactions	**442**	616	1,314
Excess tax benefit from share-based payments	**83**	100	80
Other	**(3)**	(3)	(7)
Cash flows from financing activities	**(4,165)**	(3,943)	(3,170)
Net change in Cash and cash equivalents	**(199)**	(428)	211
Cash and cash equivalents at beginning of period	**1,199**	1,627	1,416
Cash and cash equivalents at end of period	**$ 1,000**	$ 1,199	$ 1,627

See accompanying notes.

Consolidated Statements of Stockholders' Equity

(Millions of dollars, except per-share amounts)

	Common Stock	Paid-in Capital	Retained Earnings	Treasury Common Stock	AOCI
Balance, December 31, 2012	$ 1,741	$ 1,176	$ 27,205	$ (18,462)	$ (699)
2013					
Net income	—	—	2,162	—	—
Dividends declared and paid ($1.07 per share)	—	—	(1,175)	—	—
Common stock issued for stock-based awards	—	(273)	—	1,540	—
Stock repurchases	—	—	—	(2,868)	—
Stock-based compensation	—	287	—	—	—
Tax impact from exercise of options	—	25	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	171
Dividend equivalents paid on restricted stock units	—	—	(19)	—	—
Other	—	(4)	—	—	—
Balance, December 31, 2013	1,741	1,211	28,173	(19,790)	(528)
2014					
Net income	—	—	2,821	—	—
Dividends declared and paid ($1.24 per share)	—	—	(1,323)	—	—
Common stock issued for stock-based awards	—	(226)	—	781	—
Stock repurchases	—	—	—	(2,831)	—
Stock-based compensation	—	277	—	—	—
Tax impact from exercise of options	—	110	—	—	—
Other comprehensive income (loss), net of taxes	—	—	—	—	(4)
Dividend equivalents paid on restricted stock units	—	—	(18)	—	—
Other	—	(4)	—	—	—
Balance, December 31, 2014	1,741	1,368	29,653	(21,840)	(532)
2015					
Net income	**—**	**—**	**2,986**	**—**	**—**
Dividends declared and paid ($1.40 per share)	**—**	**—**	**(1,444)**	**—**	**—**
Common stock issued for stock-based awards	**—**	**(116)**	**—**	**513**	**—**
Stock repurchases	**—**	**—**	**—**	**(2,741)**	**—**
Stock-based compensation	**—**	**286**	**—**	**—**	**—**
Tax impact from exercise of options	**—**	**90**	**—**	**—**	**—**
Other comprehensive income (loss), net of taxes	**—**	**—**	**—**	**—**	**—**
Dividend equivalents paid on restricted stock units	**—**	**—**	**(19)**	**—**	**—**
Other	**—**	**1**	**—**	**—**	**—**
Balance, December 31, 2015	**$ 1,741**	**$ 1,629**	**$ 31,176**	**$ (24,068)**	**$ (532)**

See accompanying notes.

Notes to financial statements

1. Description of business, including segment and geographic area information

We design, make and sell semiconductors to electronics designers and manufacturers all over the world. We have two reportable segments, which are established along major categories of products as follows:

- *Analog* – consists of the following product lines: High Volume Analog & Logic; Power Management; High Performance Analog; and Silicon Valley Analog, which consists primarily of products that we acquired through our purchase of National Semiconductor Corporation (National) in 2011.
- *Embedded Processing* – consists of the following product lines: Microcontrollers, Processors and Connectivity.

We report the results of our remaining business activities in Other. Other includes operating segments that do not meet the quantitative thresholds for individually reportable segments and cannot be aggregated with other operating segments. Other includes DLP® products, calculators, custom ASICs and royalties received from agreements involving license rights to our patent portfolio.

We also include in Other items that are not used in evaluating the results of or in allocating resources to our segments. Examples of these items include Acquisition charges (see Note 13); restructuring charges (see Note 3); revenue from our legacy wireless products; and certain corporate-level items, such as litigation expenses, environmental costs, insurance settlements, and gains and losses from other activities, including asset dispositions. We allocate the remainder of our expenses associated with corporate activities to our operating segments based on specific methodologies, such as percentage of operating expenses or headcount.

Our centralized manufacturing and support organizations, such as facilities, procurement and logistics, provide support to our operating segments, including those in Other. Costs incurred by these organizations, including depreciation, are charged to the segments on a per-unit basis. Consequently, depreciation expense is not an independently identifiable component within the segments' results and, therefore, is not provided. The assets and liabilities associated with these organizations are included in Other.

With the exception of goodwill, we do not identify or allocate assets by operating segment, nor does the chief operating decision maker evaluate operating segments using discrete asset information. We have no material intersegment revenue. The accounting policies of the segments are the same as those described below in the summary of significant accounting policies and practices.

Segment information

	For Years Ended December 31,		
	2015	**2014**	**2013**
Revenue:			
Analog	**$ 8,339**	$ 8,104	$ 7,194
Embedded Processing	**2,787**	2,740	2,450
Other	**1,874**	2,201	2,561
Total revenue	**$ 13,000**	$ 13,045	$ 12,205
Operating profit:			
Analog	**$ 3,048**	$ 2,786	$ 1,859
Embedded Processing	**596**	384	185
Other	**630**	777	788
Total operating profit	**$ 4,274**	$ 3,947	$ 2,832

Geographic area information

The following geographic area information includes revenue, based on product shipment destination and royalty payor location, and property, plant and equipment, based on physical location. The revenue information is not necessarily indicative of the geographic area in which the end applications containing our products are ultimately consumed because our products tend to be shipped to the locations where our customers manufacture their products. Specifically, many of our products are shipped to our customers in China who may include these parts in the manufacture of their own end products, which they may in turn export to their customers around the world.

	For Years Ended December 31,		
	2015	**2014**	**2013**
Revenue:			
United States	**$ 1,612**	$ 1,625	$ 1,666
Asia (a)	**7,910**	7,915	7,370
Europe, Middle East and Africa	**2,163**	2,294	1,926
Japan	**1,127**	1,032	1,072
Rest of world	**188**	179	171
Total revenue	**$ 13,000**	$ 13,045	$ 12,205

(a) Revenue from products shipped into China, including Hong Kong, was $5.8 billion in 2015, $5.7 billion in 2014 and $5.2 billion in 2013.

	December 31,		
	2015	**2014**	**2013**
Property, plant and equipment, net:			
United States	**$ 1,370**	$ 1,436	$ 1,765
Asia (a)	**958**	1,096	1,277
Europe, Middle East and Africa	**130**	162	196
Japan	**122**	124	144
Rest of world	**16**	22	17
Total property, plant and equipment, net	**$ 2,596**	$ 2,840	$ 3,399

(a) Property, plant and equipment at our two sites in the Philippines was $471 million in 2015, $546 million in 2014 and $678 million in 2013.

Major customer

Our largest single end customer in 2015 was Apple Inc., accounting for approximately 11 percent of revenue, recognized primarily in our Analog segment. No customer accounted for 10 percent or more of revenue in 2014 or 2013.

2. Basis of presentation and significant accounting policies and practices

Basis of presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The basis of these financial statements is comparable for all periods presented herein.

The consolidated financial statements include the accounts of all subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. All dollar amounts in the financial statements and tables in these notes, except per-share amounts, are stated in millions of U.S. dollars unless otherwise indicated. We have reclassified certain amounts in the prior periods' financial statements to conform to the 2015 presentation, including to apply retrospectively the following:

- A new standard on classifying deferred income taxes (see Changes in accounting standards below and Note 6), and
- A new standard on classifying debt issuance costs (see Changes in accounting standards below and Note 11).

The preparation of financial statements requires the use of estimates from which final results may vary.

Significant accounting policies and practices

Revenue recognition

We recognize revenue from sales of our products, including direct sales to our distributors, when title and risk of loss pass, which usually occurs upon shipment or delivery to the customer or distributor, depending upon the terms of the sales order; when persuasive evidence of an arrangement exists; when sales amounts are fixed or determinable; and when collectability is reasonably assured. For sales to distributors, payment is due on our standard commercial terms and is not contingent upon resale of the products.

We recognize revenue net of allowances, which are management's estimates of future credits to be granted to customers or distributors under programs common in the semiconductor industry. These allowances are based on analysis of historical data, current economic conditions, and contractual terms and are recorded when revenue is recognized. Allowances may include volume-based incentives, product returns due to quality issues, incentives designed to maximize growth opportunities and special pricing arrangements. For instance, we sell to distributors at standard published prices, but we may grant them price adjustment credits in response to individual competitive opportunities. To estimate allowances, we use statistical percentages of revenue, which are determined quarterly based upon recent historical adjustment trends. Historical claims data are maintained for each of the programs, with differences among geographic regions taken into consideration. We continually monitor the actual claimed allowances against our estimates, and we adjust our estimates as appropriate to reflect trends in distributor revenue and inventory levels. Allowances are also adjusted when recent historical data do not represent anticipated future activity.

We may also provide distributors an allowance to scrap certain slow-selling or obsolete products in their inventory, estimated as a negotiated fixed percentage of each distributor's purchases from us. In addition, if we publish a new price for a product that is lower than that paid by distributors for the same product still remaining in each distributor's on-hand inventory, we may credit them for the difference between those prices. The allowance for this type of credit is based on the identified product price difference applied to our estimate of each distributor's on-hand inventory of that product.

We believe we can reasonably and reliably estimate allowances for credits to distributors in a timely manner.

Revenue from sales of our products that are subject to inventory consignment agreements, including consignment arrangements with distributors, is recognized in accordance with the principles discussed above, but delivery occurs when the customer or distributor pulls product from consignment inventory that we store at designated locations.

We determine the amount and timing of royalty revenue related to licenses of our patent portfolio based on our contractual agreements with licensees. We recognize royalty revenue when earned under the terms of the agreements and when we consider realization of payment to be probable.

In addition, we record allowances for accounts receivable that we estimate may not be collected. We monitor collectability of accounts receivable primarily through review of the accounts receivable aging. When collection is at risk, we assess the impact on amounts recorded for bad debts and, if necessary, will record a charge in the period such determination is made.

We recognize shipping fees received from customers in revenue, and we include the shipping and handling costs in COR.

Advertising costs

We expense advertising and other promotional costs as incurred. This expense was $46 million in 2015, $45 million in 2014 and $46 million in 2013.

Restructuring charges

Restructuring charges may consist of voluntary or involuntary severance-related charges, asset-related charges and other costs due to exit activities. We recognize voluntary termination benefits when the employee accepts the offered benefit arrangement. We recognize involuntary severance-related charges depending on whether the termination benefits are provided under an ongoing benefit arrangement or under a one-time benefit arrangement. If the former, we recognize the charges once they are probable and the amounts are estimable. If the latter, we recognize the charges once the benefits have been communicated to employees.

Restructuring activities associated with assets are recorded as an adjustment to the basis of the asset, not as a liability. When we commit to a plan to abandon a long-lived asset before the end of its previously estimated useful life, we accelerate the recognition of depreciation to reflect the use of the asset over its shortened useful life. When an asset is held for sale, we write down the carrying value to its net realizable value and cease depreciation. Restructuring actions may be viewed as an impairment indicator requiring testing of the recoverability of intangible assets, including goodwill.

Income taxes
We account for income taxes using an asset and liability approach. We record the amount of taxes payable or refundable for the current year and the deferred tax assets and liabilities for future tax consequences of events that have been recognized in the financial statements or tax returns. We record a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

Other assessed taxes
Some transactions require us to collect taxes such as sales, value-added and excise taxes from our customers. These transactions are presented in our Consolidated Statements of Income on a net (excluded from revenue) basis.

Earnings per share (EPS)
Unvested share-based payment awards that contain non-forfeitable rights to receive dividends or dividend equivalents, such as our restricted stock units (RSUs), are considered to be participating securities and the two-class method is used for purposes of calculating EPS. Under the two-class method, a portion of Net income is allocated to these participating securities and, therefore, is excluded from the calculation of EPS allocated to common stock, as shown in the table below.

Computation and reconciliation of earnings per common share are as follows (shares in millions):

	For Years Ended December 31,								
	2015			2014			2013		
	Net Income	Shares	EPS	Net Income	Shares	EPS	Net Income	Shares	EPS
Basic EPS:									
Net income	**$ 2,986**			$ 2,821			$ 2,162		
Income allocated to RSUs	**(43)**			(44)			(37)		
Income allocated to common stock for basic EPS calculation	**$ 2,943**	**1,030**	**$ 2.86**	$ 2,777	1,065	$ 2.61	$ 2,125	1,098	$ 1.94
Adjustment for dilutive shares:									
Stock-based compensation plans		**13**			15			15	
Diluted EPS:									
Net income	**$ 2,986**			$ 2,821			$ 2,162		
Income allocated to RSUs	**(42)**			(43)			(36)		
Income allocated to common stock for diluted EPS calculation	**$ 2,944**	**1,043**	**$ 2.82**	$ 2,778	1,080	$ 2.57	$ 2,126	1,113	$ 1.91

Potentially dilutive securities representing 12 million and 11 million shares of common stock that were outstanding during 2015 and 2014, respectively, were excluded from the computation of diluted earnings per common share for these periods because their effect would have been anti-dilutive. There were no potentially dilutive securities to exclude from the computation of diluted earnings per common share during 2013.

Investments
We present investments on our Consolidated Balance Sheets as cash equivalents, short-term investments or long-term investments. Specific details are as follows:

- *Cash equivalents and short-term investments:* We consider investments in debt securities with maturities of 90 days or less from the date of our investment to be cash equivalents. We consider investments in debt securities with maturities beyond 90 days from the date of our investment as being available for use in current operations and include them in short-term investments. The primary objectives of our cash equivalent and short-term investment activities are to preserve capital and maintain liquidity while generating appropriate returns.
- *Long-term investments:* Long-term investments consist of mutual funds, venture capital funds and non-marketable equity securities.
- *Classification of investments:* Depending on our reasons for holding the investment and our ownership percentage, we classify our investments as either available for sale, trading, equity method or cost method, which are more fully described in Note 8. We determine cost or amortized cost, as appropriate, on a specific identification basis.

Inventories
Inventories are stated at the lower of cost or estimated net realizable value. Cost is generally computed on a currently adjusted standard cost basis, which approximates cost on a first-in first-out basis. Standard cost is based on the normal utilization of installed factory capacity. Cost associated with underutilization of capacity is expensed as incurred. Inventory held at consignment locations is included in our finished goods inventory. Consigned inventory was $275 million and $258 million as of December 31, 2015 and 2014, respectively.

We review inventory quarterly for salability and obsolescence. A statistical allowance is provided for inventory considered unlikely to be sold. The statistical allowance is based on an analysis of historical disposal activity, historical customer shipments, as well as estimated future sales. A specific allowance for each material type will be carried if there is a significant event not captured by the statistical allowance. We write off inventory in the period in which disposal occurs.

Property, plant and equipment; acquisition-related intangibles and other capitalized costs
Property, plant and equipment are stated at cost and depreciated over their estimated useful lives using the straight-line method. Our cost basis includes certain assets acquired in business combinations that were initially recorded at fair value as of the date of acquisition. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. We amortize acquisition-related intangibles on a straight-line basis over the estimated economic life of the assets. Capitalized software licenses generally are amortized on a straight-line basis over the term of the license. Fully depreciated or amortized assets are written off against accumulated depreciation or amortization.

Impairments of long-lived assets
We regularly review whether facts or circumstances exist that indicate the carrying values of property, plant and equipment or other long-lived assets, including intangible assets, are impaired. We assess the recoverability of assets by comparing the projected undiscounted net cash flows associated with those assets to their respective carrying amounts. Any impairment charge is based on the excess of the carrying amount over the fair value of those assets. Fair value is determined by available market valuations, if applicable, or by discounted cash flows.

Goodwill and indefinite-lived intangibles
Goodwill is not amortized but is reviewed for impairment annually or more frequently if certain impairment indicators arise. We perform our annual goodwill impairment test as of October 1 for our reporting units, which compares the fair value for each reporting unit to its associated carrying value, including goodwill. See Note 9 for additional information.

Foreign currency
The functional currency for our non-U.S. subsidiaries is the U.S. dollar. Accounts recorded in currencies other than the U.S. dollar are remeasured into the functional currency. Current assets (except inventories), deferred income taxes, other assets, current liabilities and long-term liabilities are remeasured at exchange rates in effect at the end of each reporting period. Property, plant and equipment with associated depreciation and inventories are valued at historical exchange rates. Revenue and expense accounts other than depreciation for each month are remeasured at the appropriate daily rate of exchange. Currency exchange gains and losses from remeasurement are credited or charged to OI&E. See Note 13 for additional information.

Derivatives and hedging
We use derivative financial instruments to manage exposure to foreign exchange risk. These instruments are primarily forward foreign currency exchange contracts, which are used as economic hedges to reduce the earnings impact that exchange rate fluctuations may have on our non-U.S. dollar net balance sheet exposures. Gains and losses from changes in the fair value of these forward foreign currency exchange contracts are credited or charged to OI&E. We do not apply hedge accounting to our foreign currency derivative instruments.

In connection with the issuance of long-term debt, we use financial derivatives such as treasury rate lock agreements that are recognized in AOCI and amortized over the life of the related debt. The results of these derivative transactions have not been material.

We do not use derivatives for speculative or trading purposes.

Changes in accounting standards

Adopted standards for current period

In April and August 2015, respectively, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, and ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements – Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*. These standards require that costs associated with the issuance of debt, except for costs associated with line-of-credit arrangements, be reported as a direct reduction of the related debt balance. Previously, such costs were recorded as deferred assets. Costs associated with line-of-credit arrangements may continue to be recorded as deferred assets. We adopted these standards as of December 31, 2015, and retrospectively applied the standards to prior periods presented herein. The effect of the reclassification on our Consolidated Balance Sheets is quantified in Note 11. The reclassification we made to address these standards had no impact on our Consolidated Statements of Income.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes.* This standard requires that companies classify all deferred tax assets and liabilities within a taxing jurisdiction as noncurrent on their consolidated balance sheets. The effect of this new requirement is that deferred income taxes previously reported in either current assets or current liabilities shall be reclassified to noncurrent assets or liabilities. This standard can be applied either prospectively or retrospectively, and is effective for annual and interim periods beginning after December 15, 2016. Early adoption is allowed. We adopted this standard as of December 31, 2015, and retrospectively applied it to prior periods presented herein. The effect of the reclassifications on our Consolidated Balance Sheets is quantified in Note 6.

Standards not yet adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. In July 2015, the FASB deferred the effective date by one year to December 15, 2017, for annual and interim reporting periods beginning after that date. This standard permits early adoption, but not before the original effective date of December 15, 2016, and permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the potential impact of this standard on our financial position and results of operations, as well as our selected transition method. Based on our preliminary assessment, we believe the new standard will not have a material impact on our financial position and results of operations as we do not expect to change the manner or timing of recognizing revenue on a majority of our revenue transactions. We recognize revenue on sales to customers, including sales to distributors, upon satisfaction of our performance obligations when the goods are shipped. For consignment sales, we recognize revenue when the goods are pulled from consignment inventory.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*, which changes the way reporting entities evaluate certain investment holdings for possible consolidation and also includes possible changes in disclosures resulting from that evaluation. This standard is effective for annual and interim reporting periods beginning January 1, 2016, and will have no material impact on our financial position and results of operations.

In April 2015, the FASB issued ASU No. 2015-05, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance on whether a cloud-computing arrangement contains a software license, and whether that license should be accounted for separately as an asset or solely as a service contract. This standard also aligns the accounting for licenses of internal-use software with the accounting for licenses of other acquired intangible assets. This standard is effective beginning January 1, 2016, and we will adopt it prospectively to all arrangements entered into or materially modified after the effective date. We do not expect this standard to have a material impact on our financial position and results of operations.

FORM 10-K

3. Restructuring charges/other

Restructuring charges/other is comprised of the following components:

	For Years Ended December 31,		
	2015	**2014**	**2013**
Restructuring charges (a)	**$ 14**	$ 20	$ 126
Gains on sales of assets	**(83)**	(75)	—
Gain on technology transfer	**—**	—	(315)
Other	**(2)**	4	—
Restructuring charges/other	**$ (71)**	$ (51)	$ (189)

(a) Includes severance and benefits, along with changes in estimates; 2014 and 2013 also include other exit costs and accelerated depreciation.

Restructuring charges/other are recognized in Other for segment reporting purposes.

Restructuring charges

As a result of management's decision in the fourth quarter of 2015, we announced in January 2016 our intentions to phase out a small, older manufacturing facility in Greenock, Scotland, over the next three years. Plans are to move production from this facility to more cost-effective 200-millimeter TI manufacturing facilities in Germany, Japan and Maine, resulting in annualized savings of about $35 million per year. Total restructuring charges, primarily severance and related benefit costs associated with the expected reduction of about 350 jobs, are estimated to be about $40 million. We recognized charges of $17 million in the fourth quarter of 2015. The remaining charges are expected to be recognized over the next three years. As of December 31, 2015, no payments have been made.

The 2014 and 2013 restructuring charges related to prior actions in Embedded Processing, Japan, our former Wireless business and factory closures in Houston, Texas, and Hiji, Japan. These actions have been completed.

Changes in accrued restructuring balances

	2015	**2014**	**2013**
Balance, January 1	**$ 57**	$ 161	$ 349
Restructuring charges	**14**	20	126
Non-cash items (a)	**—**	—	(22)
Payments	**(39)**	(124)	(292)
Balance, December 31	**$ 32**	$ 57	$ 161

(a) Reflects charges for impacts of accelerated depreciation and postretirement benefit plans.

The restructuring accrual balances are primarily reported as a component of either Accrued expenses and other liabilities or Deferred credits and other liabilities on our Consolidated Balance Sheets, depending on the expected timing of payment. The $32 million as of December 31, 2015 is composed of $17 million related to the 2015 action and $15 million related to prior actions.

Other

Gains on sales of assets
We recognized $83 million of gains on sales of assets in 2015. This included $48 million associated with the sale of a site in Plano, Texas, and $34 million associated with the sale of a manufacturing facility in Houston, Texas.

We recognized $75 million of gains on sales of assets in 2014. This consisted of $30 million associated with the sale of a site in Nice, France; $28 million associated with the sales of real estate in Santa Clara, California; and $17 million of asset sales associated primarily with the factory closures in Houston, Texas, and Hiji, Japan.

Gain on technology transfer
During 2013, we recognized a gain of $315 million on the transfer of wireless connectivity technology to a customer. This technology was associated with the former Wireless business.

4. Stock-based compensation

We have stock options outstanding to participants under long-term incentive plans. We also have assumed stock options that were granted by companies that we later acquired. 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 of our common stock on the date of the grant. Substantially all the options have a 10-year term and vest ratably over four years. Our options generally continue to vest after the option recipient retires.

We also have RSUs outstanding under long-term incentive plans. Each RSU represents the right to receive one share of TI common stock on the vesting date, which is generally four years after the date of grant. Upon vesting, the shares are issued without payment by the grantee. Beginning with 2013 grants, RSUs generally continue to vest after the recipient retires. Holders of most RSUs receive an annual cash payment equivalent to the dividends paid on our common stock.

We have options and RSUs outstanding to non-employee directors under director compensation plans. The plans generally provide for annual grants of stock options and RSUs, a one-time grant of RSUs to each new non-employee director and the issuance of TI common stock upon the distribution of stock units credited to deferred compensation accounts established for such directors.

We also have an employee stock purchase plan under which options are offered to all eligible employees in amounts based on a percentage of the employee's compensation, subject to a cap. Under the plan, the option price per share is 85 percent of the fair market value on the exercise date, and options have a three-month term.

Total stock-based compensation expense recognized was as follows:

	For Years Ended December 31,		
	2015	**2014**	**2013**
COR	**$ 47**	$ 48	$ 49
R&D	**60**	62	67
SG&A	**169**	156	160
Acquisition charges	**10**	11	11
Total	**$ 286**	$ 277	$ 287

These amounts include expenses related to non-qualified stock options, RSUs and stock options offered under our employee stock purchase plan and are net of expected forfeitures.

We issue awards of non-qualified stock options with graded vesting provisions (e.g., 25 percent per year for four years). Generally, we recognize the related compensation expense on a straight-line basis over the minimum service period required for vesting of the award, adjusting for expected forfeiture activity. Awards issued to employees who are retirement eligible or nearing retirement eligibility are expensed on an accelerated basis.

Our RSUs generally vest four years after the date of grant. We recognize the related compensation expense on a straight-line basis over the vesting period, adjusting for expected forfeiture activity. Beginning with 2013 grants, RSUs issued to employees who are retirement eligible or nearing retirement eligibility are expensed on an accelerated basis.

Fair-value methods and assumptions

We account for all awards granted under our various stock-based compensation plans at fair value. We estimate the fair values for non-qualified stock options using the Black-Scholes-Merton option-pricing model with the following weighted average assumptions.

	For Years Ended December 31,		
	2015	**2014**	**2013**
Weighted average grant date fair value, per share	**$ 9.49**	$ 8.13	$ 6.78
Weighted average assumptions used:			
Expected volatility	**22%**	22%	26%
Expected lives (in years)	**7.3**	7.3	7.4
Risk-free interest rates	**1.64%**	2.45%	1.43%
Expected dividend yields	**2.52%**	2.72%	2.56%

We determine expected volatility on all options granted using available implied volatility rates. We believe that market-based measures of implied volatility are currently the best available indicators of the expected volatility used in these estimates.

We determine expected lives of options based on the historical option exercise experience of our optionees using a rolling 10- year average. We believe the historical experience method is the best estimate of future exercise patterns currently available.

Risk-free interest rates are determined using the implied yield currently available for zero-coupon U.S. government issues with a remaining term equal to the expected life of the options.

Expected dividend yields are based on the annualized approved quarterly dividend rate and the current market price of our common stock at the time of grant. No assumption for a future dividend rate change is included unless there is an approved plan to change the dividend in the near term.

The fair value per share of RSUs is determined based on the closing price of our common stock on the date of grant.

Our employee stock purchase plan is a discount-purchase plan and consequently the Black-Scholes-Merton option-pricing model is not used to determine the fair value per share of these awards. The fair value per share under this plan equals the amount of the discount.

Long-term incentive and director compensation plans

Stock option and RSU transactions under our long-term incentive and director compensation plans during 2015 were as follows:

	Stock Options		RSUs	
	Shares	Weighted Average Exercise Price per Share	Shares	Weighted Average Grant Date Fair Value per Share
Outstanding grants, December 31, 2014	57,647,446	$ 32.84	17,303,815	$ 35.24
Granted	**11,913,832**	**53.95**	**2,679,437**	**53.22**
Vested RSUs	**—**	**—**	**(3,386,415)**	**33.72**
Forfeited and expired	**(833,840)**	**42.71**	**(541,295)**	**36.94**
Exercised	**(11,953,455)**	**31.33**	**—**	**—**
Outstanding grants, December 31, 2015	**56,773,983**	**37.45**	**16,055,542**	**38.51**

The weighted average grant date fair value of RSUs granted during the years 2015, 2014 and 2013 was $53.22, $44.71 and $33.70 per share, respectively. For the years ended December 31, 2015, 2014 and 2013, the total grant date fair value of shares vested from RSU grants was $114 million, $133 million and $98 million, respectively.

Summarized information about stock options outstanding at December 31, 2015, is as follows:

	Stock Options Outstanding			Options Exercisable	
Exercise Price Range	Number Outstanding (Shares)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price per Share	Number Exercisable (Shares)	Weighted Average Exercise Price per Share
$14.47 to 20.00	**3,499,029**	**3.1**	**$ 14.96**	**3,499,029**	**$ 14.96**
20.01 to 30.00	**8,385,885**	**3.1**	**25.56**	**8,377,295**	**25.56**
30.01 to 40.00	**21,215,903**	**6.0**	**33.00**	**12,732,409**	**33.21**
40.01 to 50.00	**12,012,519**	**8.1**	**44.11**	**2,229,828**	**44.10**
50.01 to 58.98	**11,660,647**	**9.1**	**53.96**	**1,521**	**55.41**
14.47 to 58.98	**56,773,983**	**6.5**	**37.45**	**26,840,082**	**29.35**

During the years ended December 31, 2015, 2014 and 2013, the aggregate intrinsic value (i.e., the difference in the closing market price on the date of exercise and the exercise price paid by the optionee) of options exercised was $290 million, $367 million and $427 million, respectively.

Summarized information as of December 31, 2015, about outstanding stock options that are vested and expected to vest, as well as stock options that are currently exercisable, is as follows:

	Outstanding Stock Options (Fully Vested and Expected to Vest) (a)	Options Exercisable
Number of outstanding (shares)	**55,421,103**	**26,840,082**
Weighted average remaining contractual life (in years)	**6.4**	**4.6**
Weighted average exercise price per share	**$ 37.17**	**$ 29.35**
Intrinsic value (millions of dollars)	**$ 978**	**$ 683**

(a) Includes effects of expected forfeitures of approximately 1 million shares. Excluding the effects of expected forfeitures, the aggregate intrinsic value of stock options outstanding was $986 million.

As of December 31, 2015, the total future compensation cost related to equity awards not yet recognized in the Consolidated Statements of Income was $273 million, consisting of $112 million related to unvested stock options and $161 million related to unvested RSUs. The $273 million is expected to be recognized as follows: $140 million in 2016, $86 million in 2017, $42 million in 2018 and $5 million in 2019.

Director deferred compensation

Directors who retire or resign from the board may receive stock distributions for compensation they elected to defer. For these stock distributions, we issue treasury shares. Director deferred stock activity during 2015 was as follows:

	Director Deferred Stock (Shares)
Outstanding, December 31, 2014	135,722
New shares deferred	**14,722**
Issued	**(7,531)**
Outstanding, December 31, 2015	**142,913**

Employee stock purchase plan

Options outstanding under the employee stock purchase plan at December 31, 2015, had an exercise price equal to 85 percent of the fair market value of TI common stock on the date of automatic exercise. The automatic exercise occurred on January 4, 2016, resulting in an exercise price of $46.19 per share. Of the total outstanding options, none were exercisable at year-end 2015.

Employee stock purchase plan transactions during 2015 were as follows:

	Employee Stock Purchase Plan (Shares)	Exercise Price
Outstanding grants, December 31, 2014	374,703	$ 45.46
Granted	**1,530,127**	**44.75**
Exercised	**(1,532,264)**	**44.57**
Outstanding grants, December 31, 2015	**372,566**	**46.19**

The weighted average grant date fair value of options granted under the employee stock purchase plans during the years 2015, 2014 and 2013 was $7.89, $7.34 and $5.71 per share, respectively. During the years ended December 31, 2015, 2014 and 2013, the total intrinsic value of options exercised under these plans was $12 million, $12 million and $13 million, respectively.

Effect on shares outstanding and treasury shares

Treasury shares were acquired in connection with the board-authorized stock repurchase program. As of December 31, 2015, $7.93 billion of stock repurchase authorizations remain, and no expiration date has been specified.

FORM 10-K

Our current practice is to issue shares of common stock from treasury shares upon exercise of stock options, distribution of director deferred compensation and vesting of RSUs. The table below reflects the changes in our treasury shares:

	Stock Options	RSUs	Treasury Shares
Balance, December 31, 2012			632,636,970
Repurchases			77,564,013
Shares used for:			
Stock options/RSUs	(45,507,711)	(5,741,981)	
Stock applied to taxes	—	1,461,422	
ESPP	(2,386,834)	—	
Director deferred stock	—	—	(12,909)
Total issued	(47,894,545)	(4,280,559)	(52,175,104)
Balance, December 31, 2013			658,012,970
Repurchases			61,665,209
Shares used for:			
Stock options/RSUs	(19,503,382)	(5,609,627)	
Stock applied to exercises or taxes	6,618	1,408,701	
ESPP	(1,784,184)	—	
Director deferred stock	—	—	(7,178)
Total issued	(21,280,948)	(4,200,926)	(25,481,874)
Balance, December 31, 2014			694,189,127
Repurchases			**51,384,339**
Shares used for:			
Stock options/RSUs	**(11,953,455)**	**(3,386,415)**	
Stock applied to exercises or taxes	**8,562**	**845,164**	
ESPP	**(1,532,264)**	**—**	
Director deferred stock	**—**	**—**	**(7,531)**
Total issued	**(13,477,157)**	**(2,541,251)**	**(16,018,408)**
Balance, December 31, 2015			**729,547,527**

Shares available for future grants and reserved for issuance are summarized below:

	December 31, 2015		
Shares	Long-Term Incentive and Director Compensation Plans	Employee Stock Purchase Plan	Total
Reserved for issuance (a)	**105,793,583**	**38,032,774**	**143,826,357**
Shares to be issued upon exercise of outstanding options and RSUs (a)	**(72,972,438)**	**(372,566)**	**(73,345,004)**
Available for future grants	**32,821,145**	**37,660,208**	**70,481,353**

(a) Includes 142,913 shares credited to directors' deferred stock accounts that settle in shares of TI common stock. These shares are not included as grants outstanding at December 31, 2015.

The effects on cash flows were as follows:

	For Years Ended December 31,		
	2015	2014	2013
Proceeds from common stock transactions	**$ 442**	$ 616	$ 1,314
Tax benefit realized from stock options exercised	**171**	218	227

5. Profit sharing plans

Profit sharing benefits are generally formulaic and determined by one or more subsidiary or company-wide financial metrics. We pay profit sharing benefits primarily under the company-wide TI Employee Profit Sharing Plan. This plan provides for profit sharing to be paid based solely on TI's operating margin for the full calendar year. Under this plan, TI must achieve a minimum threshold of 10 percent operating margin before any profit sharing is paid. At 10 percent operating margin, profit sharing will be 2 percent of eligible payroll. The maximum amount of profit sharing available under the plan is 20 percent of eligible payroll, which is paid only if TI's operating margin is at or above 35 percent for a full calendar year.

We recognized $309 million, $269 million and $161 million of profit sharing expense under the TI Employee Profit Sharing Plan in 2015, 2014 and 2013, respectively.

6. Income taxes

Income before Income Taxes	U.S.	Non-U.S.	Total
2015	**$ 3,218**	**$ 998**	**$ 4,216**
2014	2,684	1,190	3,874
2013	1,507	1,247	2,754

Provision (Benefit) for Income Taxes	U.S. Federal	Non-U.S.	U.S. State	Total
2015				
Current	**$ 1,110**	**$ 168**	**$ 7**	**$ 1,285**
Deferred	**(72)**	**14**	**3**	**(55)**
Total	**$ 1,038**	**$ 182**	**$ 10**	**$ 1,230**
2014				
Current	$ 911	$ 194	$ 9	$ 1,114
Deferred	(73)	11	1	(61)
Total	$ 838	$ 205	$ 10	$ 1,053
2013				
Current	$ 291	$ 247	$ 4	$ 542
Deferred	17	33	—	50
Total	$ 308	$ 280	$ 4	$ 592

Principal reconciling items from income tax computed at the statutory federal rate follow:

	For Years Ended December 31,		
	2015	2014	2013
Computed tax at statutory rate	**$ 1,476**	$ 1,356	$ 964
Non-U.S. effective tax rates	**(167)**	(212)	(156)
U.S. tax benefit for manufacturing	**(69)**	(51)	(66)
U.S. R&D tax credit	**(56)**	(59)	(129)
Non-deductible expenses	**13**	6	13
Impact of changes to uncertain tax positions	**8**	3	(14)
Other	**25**	10	(20)
Total provision for income taxes	**$ 1,230**	$ 1,053	$ 592

The total provision for 2013 in the reconciliation above includes $79 million of discrete tax benefits primarily for the reinstatement of the U.S. R&D tax credit retroactive to 2012.

Our annual effective tax rate benefits from lower rates (compared to the U.S. statutory rate) applicable to our operations in many of the jurisdictions in which we operate and from U.S. tax benefits. These lower non-U.S. tax rates are generally statutory in nature, without expiration and available to companies that operate in those taxing jurisdictions. Also included in the non-U.S. effective tax rates reconciling item above are benefits from tax holidays of $60 million, $44 million and $40 million in 2015, 2014 and 2013, respectively. The tax benefits relate to our operations in Malaysia and the Philippines, and expire in 2018 and 2017, respectively. The terms of the Malaysia tax holiday are currently under governmental review as required for the end of the first five years of the holiday period. We do not expect any potential change in the holiday to have a material impact on the financial statements.

The primary components of deferred income tax assets and liabilities were as follows:

	December 31,	
	2015	**2014**
Deferred income tax assets:		
Stock-based compensation	**$ 244**	$ 229
Deferred loss and tax credit carryforwards	**226**	289
Accrued expenses	**215**	246
Inventories and related reserves	**147**	156
Retirement costs for defined benefit and retiree health care	**87**	80
Other	**101**	87
Total deferred income tax assets, before valuation allowance	**1,020**	1,087
Valuation allowance	**(186)**	(195)
Total deferred income tax assets, after valuation allowance	**834**	892
Deferred income tax liabilities:		
Acquisition-related intangibles and fair-value adjustments	**(565)**	(672)
International earnings	**(105)**	(104)
Total deferred income tax liabilities	**(670)**	(776)
Net deferred income tax asset	**$ 164**	$ 116

The deferred income tax assets and liabilities based on tax jurisdictions are presented on the Consolidated Balance Sheets as follows:

	December 31,	
	2015	**2014**
Noncurrent deferred income tax assets	**$ 201**	$ 180
Noncurrent deferred income tax liabilities	**(37)**	(64)
Net deferred income tax asset	**$ 164**	$ 116

As a result of our early adoption of ASU 2015-17*, Balance Sheet Classification of Deferred Taxes*, we have adjusted the presentation of deferred taxes on the Consolidated Balance Sheets. We have retrospectively adjusted the 2014 Consolidated Balance Sheets to conform to the 2015 presentation by reclassifying current deferred income tax assets and liabilities to noncurrent deferred income tax assets and liabilities. The effect of applying the new standard, as shown in the following table, is the result of netting Current deferred income tax assets with Noncurrent deferred income tax liabilities, by tax jurisdiction. See Note 2 for additional information.

	2014 As Reported	**Effect of Applying New Standard**	**2014 As Adjusted**
Current deferred income tax assets	**$ 347**	$ (347)	$ —
Noncurrent deferred income tax assets	**172**	8	180
Current deferred income tax liabilities	**(4)**	4	—
Noncurrent deferred income tax liabilities	**(399)**	335	(64)
Net deferred income tax asset	**$ 116**	$ —	$ 116

We make an ongoing assessment regarding the realization of U.S. and non-U.S. deferred tax assets. This assessment is based on our evaluation of relevant criteria, including the existence of deferred tax liabilities that can be used to absorb deferred tax assets, taxable income in prior carryback years and expectations for future taxable income. Changes in valuation allowance balances in the years 2015, 2014 and 2013 of $9 million, $24 million and $2 million, respectively, had no impact on Net income.

We have U.S. and non-U.S. tax loss carryforwards of approximately $35 million, none of which will expire before the year 2025.

A provision has been made for deferred taxes on undistributed earnings of non-U.S. subsidiaries to the extent that dividend payments from these subsidiaries are expected to result in additional tax liability. The remaining undistributed earnings of approximately $8.35 billion at December 31, 2015, have been indefinitely reinvested outside of the United States; therefore, no U.S. tax provision has been made for taxes due upon remittance of these earnings. The indefinitely reinvested earnings of our non-U.S. subsidiaries are primarily invested in working capital and property, plant and equipment. Determination of the amount of unrecognized deferred income tax liability is not practical because of the complexities associated with its hypothetical calculation.

Cash payments made for income taxes, net of refunds, were $1.167 billion, $1.104 billion and $569 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Uncertain tax positions

We operate in a number of tax jurisdictions, and our income tax returns are subject to examination by tax authorities in those jurisdictions who may challenge any item on these tax returns. Because the matters challenged by authorities are typically complex, their ultimate outcome is uncertain. Before any benefit can be recorded in the financial statements, we must determine that it is "more likely than not" that a tax position will be sustained by the appropriate tax authorities. We recognize accrued interest related to uncertain tax positions and penalties as components of OI&E.

The changes in the total amounts of uncertain tax positions are summarized as follows:

	2015	**2014**	**2013**
Balance, January 1	**$ 108**	$ 91	$ 184
Additions based on tax positions related to the current year	**11**	10	7
Additions for tax positions of prior years	**3**	52	19
Reductions for tax positions of prior years	**(21)**	(9)	(10)
Settlements with tax authorities	**(17)**	(36)	(96)
Expiration of the statute of limitations for assessing taxes	**—**	—	(13)
Balance, December 31	**$ 84**	$ 108	$ 91
Interest income (expense) recognized in the year ended December 31	**$ 8**	$ 6	$ (10)
Interest receivable (payable) as of December 31	**$ 9**	$ —	$ (5)

The liability for uncertain tax positions is a component of Deferred credits and other liabilities on our Consolidated Balance Sheets.

All of the $84 million liability for uncertain tax positions as of December 31, 2015, is comprised of positions that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, $12 million of existing deferred tax assets would also be realized, related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation. It is reasonably possible that the liability could increase in 2016 by up to $150 million for a tax depreciation-related position. The increase would offset the tax benefit realized with no net profit impact.

All of the $108 million liability for uncertain tax positions as of December 31, 2014, is comprised of positions that, if recognized, would impact the tax rate. If these tax liabilities are ultimately realized, $56 million of existing deferred tax assets would also be realized, primarily related to refunds from counterparty jurisdictions resulting from procedures for relief from double taxation.

As of December 31, 2015, the statute of limitations remains open for U.S. federal tax returns for 2010 and following years. Audit activities related to our U.S. federal tax returns through 2009 have been completed except for certain pending tax treaty procedures for relief from double taxation and the review of refunds claimed on amended returns for years prior to 2010. The procedures for relief from double taxation pertain to U.S. federal tax returns for the years 2006 through 2009.

In non-U.S. jurisdictions, the years open to audit represent the years still open under the statute of limitations. With respect to major jurisdictions outside the United States, our subsidiaries are no longer subject to income tax audits for years before 2007.

7. Financial instruments and risk concentration

Financial instruments

We hold derivative financial instruments such as forward foreign currency exchange contracts, the fair value of which was not material as of December 31, 2015. Our forward foreign currency exchange contracts outstanding as of December 31, 2015, had a notional value of $464 million to hedge our non-U.S. dollar net balance sheet exposures, including $175 million to sell Japanese yen and $139 million to sell euros.

Our investments in cash equivalents, short-term investments and certain long-term investments, as well as our postretirement plan assets and deferred compensation liabilities, are carried at fair value. The carrying values for other current financial assets and liabilities, such as accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments. The carrying value of our long-term debt approximates the fair value as measured using broker-dealer quotes, which are Level 2 inputs. See Note 8 for a description of fair value and the definition of Level 2 inputs.

Risk concentration

We are subject to counterparty risks from financial institutions, customers and issuers of debt securities. Financial instruments that could subject us to concentrations of credit risk are primarily cash deposits, cash equivalents, short-term investments and accounts receivable. To manage our credit risk exposure, we place cash investments in investment-grade debt securities and limit the amount of credit exposure to any one issuer. We also limit counterparties on cash deposits and financial derivative contracts to financial institutions with investment-grade ratings.

Concentrations of credit risk with respect to accounts receivable are limited due to our large number of customers and their dispersion across different industries and geographic areas. We maintain allowances for expected returns, disputes, adjustments, incentives and collectability. These allowances are deducted from accounts receivable on our Consolidated Balance Sheets.

Details of these accounts receivable allowances are as follows:

	2015	2014	2013
Balance, January 1	**$ 12**	$ 22	$ 31
Additions charged (credited) to operating results	**(5)**	(9)	(9)
Recoveries and write-offs, net	**—**	(1)	—
Balance, December 31	**$ 7**	$ 12	$ 22

8. Valuation of debt and equity investments and certain liabilities

Debt and equity investments

We classify our investments as either available for sale, trading, equity method or cost method. Most of our investments are classified as available for sale.

Available-for-sale and trading securities are stated at fair value, which is generally based on market prices or broker quotes. See the fair-value discussion below. Unrealized gains and losses on available-for-sale securities are recorded as an increase or decrease, net of taxes, in AOCI on our Consolidated Balance Sheets. We record other-than-temporary impairments on available-for-sale securities in OI&E in our Consolidated Statements of Income.

We classify certain mutual funds as trading securities. These mutual funds hold a variety of debt and equity investments intended to generate returns that offset changes in certain deferred compensation liabilities. We record changes in the fair value of these mutual funds and the related deferred compensation liabilities in SG&A.

Our other investments are not measured at fair value but are accounted for using either the equity method or cost method. These investments consist of interests in venture capital funds and other non-marketable equity securities. Gains and losses from equity-method investments are reflected in OI&E based on our ownership share of the investee's financial results. Gains and losses on cost-method investments are recorded in OI&E when realized or when an impairment of the investment's value is warranted based on our assessment of the recoverability of each investment.

Details of our investments are as follows:

	December 31, 2015			December 31, 2014		
	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments	Cash and Cash Equivalents	Short-Term Investments	Long-Term Investments
Measured at fair value:						
Available-for-sale securities:						
Money market funds	**$ 395**	**$ —**	**$ —**	$ 522	$ —	$ —
Corporate obligations	**132**	**285**	**—**	97	390	—
U.S. Government agency and Treasury securities	**245**	**1,933**	**—**	365	1,952	—
Trading securities:						
Mutual funds	**—**	**—**	**187**	—	—	185
Total	**772**	**2,218**	**187**	984	2,342	185
Other measurement basis:						
Equity-method investments	**—**	**—**	**25**	—	—	27
Cost-method investments	**—**	**—**	**9**	—	—	12
Cash on hand	**228**	**—**	**—**	215	—	—
Total	**$ 1,000**	**$ 2,218**	**$ 221**	$ 1,199	$ 2,342	$ 224

At December 31, 2015 and 2014, unrealized gains and losses associated with our available-for-sale investments were not material. We did not recognize any credit losses related to available-for-sale investments for the years ended December 31, 2015, 2014 and 2013.

For the years ended December 31, 2015, 2014 and 2013, the proceeds from sales, redemptions and maturities of short-term available-for-sale investments were $2.89 billion, $2.97 billion and $4.25 billion, respectively. Gross realized gains and losses from these sales were not material.

The following table presents the aggregate maturities of investments in debt securities classified as available for sale at December 31, 2015:

Due	Fair Value
One year or less	$ 2,970
One to two years	20

Gross realized gains and losses from sales of long-term investments were not material for 2015, 2014 and 2013. Other-than-temporary declines and impairments in the values of these investments recognized in OI&E were not material in 2015, 2014 and 2013.

Fair-value considerations

We measure and report certain financial assets and liabilities at fair value on a recurring basis. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The three-level hierarchy discussed below indicates the extent and level of judgment used to estimate fair-value measurements.

- Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets and liabilities in active markets and quoted prices in markets that are not active. Level 2 also includes assets and liabilities that are valued using models or other pricing methodologies that do not require significant judgment since the input assumptions used in the models, such as interest rates and volatility factors, are corroborated by readily observable data. We utilize a third-party data service to provide Level 2 valuations. We verify these valuations for reasonableness relative to unadjusted quotes obtained from brokers or dealers based on observable prices for similar assets in active markets.

- Level 3 – Uses inputs that are unobservable, supported by little or no market activity and reflect the use of significant management judgment. These values are generally determined using pricing models that utilize management estimates of market participant assumptions. As of December 31, 2015 and 2014, we had no Level 3 assets or liabilities, other than certain assets held by our postretirement plans.

The following are our assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2015 and 2014. These tables do not include cash on hand, assets held by our postretirement plans, or assets and liabilities that are measured at historical cost or any basis other than fair value.

	Fair Value December 31, 2015	Level 1	Level 2
Assets:			
Money market funds	**$ 395**	**$ 395**	**$ —**
Corporate obligations	**417**	**—**	**417**
U.S. Government agency and Treasury securities	**2,178**	**1,828**	**350**
Mutual funds	**187**	**187**	**—**
Total assets	**$ 3,177**	**$ 2,410**	**$ 767**
Liabilities:			
Deferred compensation	**$ 198**	**$ 198**	**$ —**
Total liabilities	**$ 198**	**$ 198**	**$ —**

	Fair Value December 31, 2014	Level 1	Level 2
Assets:			
Money market funds	$ 522	$ 522	$ —
Corporate obligations	487	—	487
U.S. Government agency and Treasury securities	2,317	1,762	555
Mutual funds	185	185	—
Total assets	$ 3,511	$ 2,469	$ 1,042
Liabilities:			
Deferred compensation	$ 202	$ 202	$ —
Total liabilities	$ 202	$ 202	$ —

9. Goodwill and acquisition-related intangibles

The following table summarizes goodwill, net, by segment for the years ended December 31, 2015 and 2014.

	Goodwill
Analog	$ 4,158
Embedded Processing	172
Other	32
Total	$ 4,362

We perform our annual goodwill impairment test as of October 1 and determine whether the fair value of each of our reporting units is in excess of its carrying value. Determination of fair value is based upon management estimates and judgment, using unobservable inputs in discounted cash flow models to calculate the fair value of each reporting unit. These unobservable inputs are considered Level 3 measurements. For the years ended December 31, 2015, 2014 and 2013, we determined no impairment was indicated. See Note 8 for additional information.

The components of Acquisition-related intangibles, net, as of December 31, 2015 and 2014, are as follows:

		December 31, 2015			December 31, 2014		
Acquisition-Related Intangibles	Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Developed technology	7 - 10	**$ 2,131**	**$ 928**	**$ 1,203**	$ 2,135	$ 714	$ 1,421
Customer relationships . . .	8	**810**	**431**	**379**	810	330	480
Other intangibles	5	**3**	**2**	**1**	3	2	1
Total		**$ 2,944**	**$ 1,361**	**$ 1,583**	$ 2,948	$ 1,046	$ 1,902

Amortization of acquisition-related intangibles was $319 million, $321 million and $336 million for 2015, 2014 and 2013, respectively, primarily related to developed technology. Fully amortized assets are written off against accumulated amortization. Future estimated amortization of acquisition-related intangibles for the years ended December 31 is as follows:

	Amortization of Acquisition-Related Intangibles
2016	$ 319
2017	318
2018	318
2019	288
2020	198
Thereafter	142

10. Postretirement benefit plans

Plan descriptions

We have various employee retirement plans, including defined contribution, defined benefit and retiree health care benefit plans. For qualifying employees, we offer deferred compensation arrangements.

U.S. retirement plans

Our principal retirement plans in the U.S. are a defined contribution plan; an enhanced defined contribution plan; and qualified and non-qualified defined benefit pension plans. The defined benefit plans were closed to new participants in 1997, and then-current participants were allowed to make a one-time election to continue accruing a benefit in the plans, or to cease accruing a benefit and instead to participate in the enhanced defined contribution plan described below.

Both defined contribution plans offer an employer-matching savings option that allows employees to make pre-tax contributions to various investment choices, including a TI common stock fund. Employees who elected to continue accruing a benefit in the qualified defined benefit pension plans may also participate in the defined contribution plan, where employer-matching contributions are provided for up to 2 percent of the employee's annual eligible earnings. Employees who elected not to continue accruing a benefit in the defined benefit pension plans, and employees hired after November 1997 and through December 31, 2003, may participate in the enhanced defined contribution plan. This plan provides for a fixed employer contribution of 2 percent of the employee's annual eligible earnings, plus an employer-matching contribution of up to 4 percent of the employee's annual eligible earnings. Employees hired after December 31, 2003, do not receive the fixed employer contribution of 2 percent of the employee's annual eligible earnings.

At December 31, 2015 and 2014, as a result of employees' elections, TI's U.S. defined contribution plans held shares of TI common stock totaling 13 million shares and 14 million shares valued at $704 million and $740 million, respectively. Dividends paid on these shares for both 2015 and 2014 were $19 million.

Our aggregate expense for the U.S. defined contribution plans was $60 million in both 2015 and 2014 and $62 million in 2013.

The defined benefit pension plans include employees still accruing benefits, as well as employees and participants who no longer accrue service-related benefits, but instead, may participate in the enhanced defined contribution plan. Benefits under the qualified defined benefit pension plan are determined using a formula based upon years of service and the highest five consecutive years of compensation. We intend to contribute amounts to this plan to meet the minimum funding requirements of applicable local laws and regulations, plus such additional amounts as we deem appropriate. The non-qualified defined benefit plans are unfunded and closed to new participants.

U.S. retiree health care benefit plan

U.S. employees who meet eligibility requirements are offered medical coverage during retirement. We make a contribution toward the cost of those retiree medical benefits for certain retirees and their dependents. The contribution rates are based upon various factors, the most important of which are an employee's date of hire, date of retirement, years of service and eligibility for Medicare benefits. The balance of the cost is borne by the plan's participants. Employees hired after January 1, 2001, are responsible for the full cost of their medical benefits during retirement.

Non-U.S. retirement plans

We provide retirement coverage for non-U.S. employees, as required by local laws or to the extent we deem appropriate, through a number of defined benefit and defined contribution plans. Retirement benefits are generally based on an employee's years of service and compensation. Funding requirements are determined on an individual country and plan basis and are subject to local country practices and market circumstances.

As of December 31, 2015 and 2014, as a result of employees' elections, TI's non-U.S. defined contribution plans held TI common stock valued at $17 million. Dividends paid on these shares of TI common stock for 2015 and 2014 were not material.

Effects on the Consolidated Statements of Income and Balance Sheets

Expense related to defined benefit and retiree health care benefit plans was as follows:

	U.S. Defined Benefit			U.S. Retiree Health Care			Non-U.S. Defined Benefit		
	2015	**2014**	**2013**	**2015**	**2014**	**2013**	**2015**	**2014**	**2013**
Service cost	**$ 22**	$ 21	$ 26	**$ 5**	$ 4	$ 5	**$ 35**	$ 39	$ 41
Interest cost	**43**	45	45	**20**	22	20	**53**	68	61
Expected return on plan assets	**(48)**	(42)	(48)	**(22)**	(20)	(24)	**(76)**	(80)	(67)
Amortization of prior service cost (credit)	**—**	—	1	**2**	4	4	**(2)**	(2)	(3)
Recognized net actuarial loss	**19**	26	21	**8**	7	11	**24**	24	31
Net periodic benefit costs	**36**	50	45	**13**	17	16	**34**	49	63
Settlement losses	**25**	5	41	**—**	—	—	**2**	1	4
Curtailment gain	**—**	—	—	**—**	—	—	**—**	(2)	(7)
Total, including other postretirement losses (gains)	**$ 61**	$ 55	$ 86	**$ 13**	$ 17	$ 16	**$ 36**	$ 48	$ 60

For the U.S. qualified pension and retiree health care plans, the expected return on plan assets component of net periodic benefit cost is based upon a market-related value of assets. In accordance with U.S. GAAP, the market-related value of assets is the fair value adjusted by a smoothing technique whereby certain gains and losses are phased in over a period of three years.

Changes in the benefit obligations and plan assets for defined benefit and retiree health care benefit plans were as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
Change in plan benefit obligation:						
Benefit obligation at beginning of year	**$ 1,076**	$ 955	**$ 513**	$ 472	**$ 2,316**	$ 2,276
Service cost	**22**	21	**5**	4	**35**	39
Interest cost	**43**	45	**20**	22	**53**	68
Participant contributions	**—**	—	**19**	19	**6**	5
Benefits paid	**(8)**	(66)	**(46)**	(45)	**(73)**	(84)
Medicare subsidy	**—**	—	**3**	4	**—**	—
Actuarial loss (gain)	**(6)**	133	**(21)**	37	**14**	275
Settlements	**(94)**	(12)	**—**	—	**(18)**	(7)
Curtailments	**—**	—	**—**	—	**—**	(11)
Plan amendments	**—**	—	**(30)**	—	**—**	—
Effects of exchange rate changes	**—**	—	**—**	—	**(102)**	(245)
Benefit obligation at end of year (BO)	**$ 1,033**	$ 1,076	**$ 463**	$ 513	**$ 2,231**	$ 2,316
Change in plan assets:						
Fair value of plan assets at beginning of year	**$ 1,082**	$ 941	**$ 497**	$ 485	**$ 2,213**	$ 2,179
Actual return on plan assets	**(24)**	132	**—**	24	**25**	295
Employer contributions (funding of qualified plans)	**52**	75	**1**	10	**72**	64
Employer contributions (payments for non-qualified plans)	**11**	12	**—**	—	**—**	—
Participant contributions	**—**	—	**19**	19	**6**	5
Benefits paid	**(8)**	(66)	**(46)**	(45)	**(73)**	(84)
Medicare subsidy	**—**	—	**—**	4	**—**	—
Settlements	**(94)**	(12)	**—**	—	**(18)**	(7)
Effects of exchange rate changes	**—**	—	**—**	—	**(91)**	(239)
Other	**—**	—	**(30)**	—	**—**	—
Fair value of plan assets at end of year (FVPA)	**$ 1,019**	$ 1,082	**$ 441**	$ 497	**$ 2,134**	$ 2,213
Funded status (FVPA – BO) at end of year	**$ (14)**	$ 6	**$ (22)**	$ (16)	**$ (97)**	$ (103)

Amounts recognized on the Consolidated Balance Sheets as of December 31, 2015, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	**$ 51**	**$ —**	**$ 34**	**$ 85**
Accrued expenses and other liabilities	**(16)**	**—**	**(6)**	**(22)**
Underfunded retirement plans	**(49)**	**(22)**	**(125)**	**(196)**
Funded status (FVPA – BO) at end of year	**$ (14)**	**$ (22)**	**$ (97)**	**$ (133)**

Amounts recognized on the Consolidated Balance Sheets as of December 31, 2014, were as follows:

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit	Total
Overfunded retirement plans	$ 72	$ —	$ 55	$ 127
Accrued expenses and other liabilities	(9)	—	(6)	(15)
Underfunded retirement plans	(57)	(16)	(152)	(225)
Funded status (FVPA – BO) at end of year	$ 6	$ (16)	$ (103)	$ (113)

Contributions to the plans meet or exceed all minimum funding requirements. We expect to contribute about $100 million to our retirement benefit plans in 2016. The amounts shown for underfunded U.S. defined benefit plans were for non-qualified pension plans, which we do not fund because contributions to them are not tax deductible.

Accumulated benefit obligations, which are generally less than the projected benefit obligations as they exclude the impact of future salary increases, were $948 million and $968 million at December 31, 2015 and 2014, respectively, for the U.S. defined benefit plans, and $2.09 billion and $2.15 billion at December 31, 2015 and 2014, respectively, for the non-U.S. defined benefit plans.

The amounts recorded in AOCI for the years ended December 31, 2015 and 2014, are detailed below by plan type:

	U.S. Defined Benefit	U.S. Retiree Health Care		Non-U.S. Defined Benefit		Total	
	Net Actuarial Loss	Net Actuarial Loss	Prior Service Cost (Credit)	Net Actuarial Loss	Prior Service Cost (Credit)	Net Actuarial Loss	Prior Service Cost (Credit)
AOCI balance, net of taxes, December 31, 2014	$ 153	$ 85	$ 8	$ 291	$ (8)	$ 529	$ —
Changes in AOCI by category							
Adjustments	**65**	**—**	**(30)**	**45**	**(1)**	**110**	**(31)**
Recognized within Net income	**(43)**	**(8)**	**(2)**	**(27)**	**2**	**(78)**	**—**
Tax effect	**(8)**	**3**	**11**	**(6)**	**—**	**(11)**	**11**
Total change to AOCI	**14**	**(5)**	**(21)**	**12**	**1**	**21**	**(20)**
AOCI balance, net of taxes, December 31, 2015	**$ 167**	**$ 80**	**$ (13)**	**$ 303**	**$ (7)**	**$ 550**	**$ (20)**

The estimated amounts of net actuarial loss and unrecognized prior service cost (credit) included in AOCI as of December 31, 2015, that are expected to be amortized into net periodic benefit cost over the next fiscal year are: $20 million and none for the U.S. defined benefit plans; $7 million and ($4) million for the U.S. retiree health care benefit plan; and $24 million and ($2) million for the non-U.S. defined benefit plans.

Information on plan assets

We report and measure the plan assets of our defined benefit pension and other postretirement plans at fair value. The tables below set forth the fair value of our plan assets as of December 31, 2015 and 2014, using the same three-level hierarchy of fair-value inputs described in Note 8.

	Fair Value December 31, 2015	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan:				
Fixed income securities and cash equivalents	**$ 664**	**$ —**	**$ 664**	**$ —**
Equity securities	**355**	**—**	**355**	**—**
Total	**$ 1,019**	**$ —**	**$ 1,019**	**$ —**
Assets of U.S. retiree health care plan:				
Fixed income securities and cash equivalents	**$ 220**	**$ 178**	**$ 42**	**$ —**
Equity securities	**221**	**—**	**221**	**—**
Total	**$ 441**	**$ 178**	**$ 263**	**$ —**
Assets of non-U.S. defined benefit plans:				
Fixed income securities and cash equivalents	**$ 1,498**	**$ 440**	**$ 1,058**	**$ —**
Equity securities	**632**	**6**	**626**	**—**
Other	**4**	**—**	**—**	**4**
Total	**$ 2,134**	**$ 446**	**$ 1,684**	**$ 4**

	Fair Value December 31, 2014	Level 1	Level 2	Level 3
Assets of U.S. defined benefit plan:				
Fixed income securities and cash equivalents	$ 707	$ —	$ 707	$ —
Equity securities	375	—	375	—
Total	$ 1,082	$ —	$ 1,082	$ —
Assets of U.S. retiree health care plan:				
Fixed income securities and cash equivalents	$ 243	$ 200	$ 43	$ —
Equity securities	254	—	254	—
Total	$ 497	$ 200	$ 297	$ —
Assets of non-U.S. defined benefit plans:				
Fixed income securities and cash equivalents	$ 1,608	$ 430	$ 1,178	$ —
Equity securities	600	6	594	—
Other	5	—	—	5
Total	$ 2,213	$ 436	$ 1,772	$ 5

The investments in our major benefit plans largely consist of low-cost, broad-market index funds to mitigate risks of concentration within market sectors. Our investment policy is designed to better match the interest rate sensitivity of the plan assets and liabilities. The appropriate mix of equity and bond investments is determined primarily through the use of detailed asset-liability modeling studies that look to balance the impact of changes in the discount rate against the need to provide asset growth to cover future service cost. Most of our plans around the world have a greater proportion of fixed income securities with return characteristics that are more closely aligned with changes in the liabilities caused by discount rate volatility. For the U.S. plans, we utilize an option collar strategy to reduce the volatility of returns on investments in U.S. equity funds.

The only Level 3 asset in our worldwide benefit plans for the periods presented is a diversified property fund in a non-U.S. pension plan; we sold assets related to private equity limited partnerships in our U.S. pension plan in 2014. These investments are valued using inputs from the fund managers and internal models.

The following table summarizes the change in the fair values for Level 3 plan assets for the years ending December 31, 2015 and 2014:

	Level 3 Plan Assets	
	U.S. Defined Benefit	Non-U.S. Defined Benefit
Balance, December 31, 2013	$ 37	$ 8
Redemptions and sales	(45)	(2)
Unrealized gain (loss)	8	(1)
Balance, December 31, 2014	—	5
Redemptions	**—**	**(1)**
Balance, December 31, 2015	**$ —**	**$ 4**

Assumptions and investment policies

	Defined Benefit		U.S. Retiree Health Care	
	2015	2014	2015	2014
Weighted average assumptions used to determine benefit obligations:				
U.S. discount rate	**4.62%**	4.23%	**4.40%**	4.07%
Non-U.S. discount rate	**2.41%**	2.34%		
U.S. average long-term pay progression	**3.30%**	3.30%		
Non-U.S. average long-term pay progression	**3.21%**	3.27%		
Weighted average assumptions used to determine net periodic benefit cost:				
U.S. discount rate	**4.33%**	5.11%	**4.15%**	4.83%
Non-U.S. discount rate	**2.34%**	3.01%		
U.S. long-term rate of return on plan assets	**5.10%**	5.25%	**4.70%**	4.50%
Non-U.S. long-term rate of return on plan assets	**3.55%**	3.75%		
U.S. average long-term pay progression	**3.30%**	3.50%		
Non-U.S. average long-term pay progression	**3.27%**	3.11%		

We utilize a variety of methods to select an appropriate discount rate depending on the depth of the corporate bond market in the country in which the benefit plan operates. In the United States, we use a settlement approach whereby a portfolio of bonds is selected from the universe of actively traded high-quality U.S. corporate bonds. The selected portfolio is designed to provide cash flows sufficient to pay the plan's expected benefit payments when due. The resulting discount rate reflects the rate of return of the selected portfolio of bonds. For our non-U.S. locations with a sufficient number of actively traded high-quality bonds, an analysis is performed in which the projected cash flows from the defined benefit plans are discounted against a yield curve constructed with an appropriate universe of high-quality corporate bonds available in each country. In this manner, a present value is developed. The discount rate selected is the single equivalent rate that produces the same present value. For countries that lack a sufficient corporate bond market, a government bond index adjusted for an appropriate risk premium is used to establish the discount rate.

Assumptions for the expected long-term rate of return on plan assets are based on future expectations for returns for each asset class and the effect of periodic target asset allocation rebalancing. We adjust the results for the payment of reasonable expenses of the plan from plan assets. We believe our assumptions are appropriate based on the investment mix and long-term nature of the plans' investments. Assumptions used for the non-U.S. defined benefit plans reflect the different economic environments within the various countries.

The table below shows target allocation ranges for the plans that hold a substantial majority of the defined benefit assets.

Asset Category	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit
Fixed income securities and cash equivalents	65%	50%	60% - 100%
Equity securities	35%	50%	0% - 40%

We rebalance the plans' investments when they are not within the target allocation ranges.

Weighted average asset allocations as of December 31, are as follows:

	U.S. Defined Benefit		U.S. Retiree Health Care		Non-U.S. Defined Benefit	
Asset Category	2015	2014	2015	2014	2015	2014
Fixed income securities and cash equivalents	**65%**	65%	**50%**	49%	**70%**	73%
Equity securities	**35%**	35%	**50%**	51%	**30%**	27%

None of the plan assets related to the defined benefit pension plans and retiree health care benefit plan are directly invested in TI common stock. As of December 31, 2015, we do not expect to return any of the defined benefit pension plans' assets to TI in the next 12 months.

The following assumed future benefit payments to plan participants in the next 10 years are used to measure our benefit obligations and assume that retirement eligible participants take their benefits immediately. Almost all of the payments, which may vary significantly from these assumptions, will be made from plan assets and not from company assets.

	U.S. Defined Benefit	U.S. Retiree Health Care	Non-U.S. Defined Benefit
2016	$ 245	$ 34	$ 83
2017	90	34	84
2018	91	35	87
2019	91	36	91
2020	89	36	92
2021 - 2025	422	170	501

Assumed health care cost trend rates for the U.S. retiree health care benefit plan at December 31 are as follows:

	2015	2014
Assumed health care cost trend rate for next year	**7.0%**	7.0%
Ultimate trend rate	**5.0%**	5.0%
Year in which ultimate trend rate is reached	**2024**	2023

A one percentage point increase or decrease in health care cost trend rates over all future periods would have increased or decreased the accumulated postretirement benefit obligation for the U.S. retiree health care benefit plan at December 31, 2015, by $8 million. The service cost and interest cost components of 2015 plan expense would have increased by $2 million or decreased by $1 million.

Deferred compensation arrangements

We have a deferred compensation plan that allows U.S. employees whose base salary and management responsibility exceed a certain level to defer receipt of a portion of their cash compensation. Payments under this plan are made based on the participant's distribution election and plan balance. Participants can earn a return on their deferred compensation based on notional investments in the same investment funds that are offered in our defined contribution plans.

As of December 31, 2015, our liability to participants of the deferred compensation plans was $198 million and is recorded in Deferred credits and other liabilities on our Consolidated Balance Sheets. This amount reflects the accumulated participant deferrals and earnings thereon as of that date. As of December 31, 2015, we held $187 million in mutual funds related to these plans that are recorded in Long-term investments on our Consolidated Balance Sheets, and serve as an economic hedge against changes in fair values of our other deferred compensation liabilities. We record changes in the fair value of the liability and the related investment in SG&A as discussed in Note 8.

11. Debt and lines of credit

Short-term borrowings

We maintain a line of credit to support commercial paper borrowings, if any, and to provide additional liquidity through bank loans. As of December 31, 2015, we had a variable-rate revolving credit facility from a consortium of investment-grade banks that allows us to borrow up to $2 billion until March 2020. The interest rate on borrowings under this credit facility, if drawn, is indexed to the applicable London Interbank Offered Rate (LIBOR). As of December 31, 2015, our credit facility was undrawn and we had no commercial paper outstanding.

Long-term debt

We retired $250 million of maturing debt in April 2015 and another $750 million in August 2015.

In May 2015, we issued a principal amount of $500 million of fixed-rate long-term debt due in 2020. We incurred $3 million of issuance and other related costs, which are amortized to Interest and debt expense over the term of the debt. The proceeds of the offering were $498 million, net of the original issuance discount, and were used toward the repayment of a portion of the debt that matured in August 2015.

FORM 10-K

In March 2014, we issued an aggregate principal amount of $500 million of fixed-rate long-term debt, with $250 million due in 2017 and $250 million due in 2021. We incurred $3 million of issuance and other related costs, which are amortized to Interest and debt expense over the term of the debt. The proceeds of the offering were $498 million, net of the original issuance discount and were used toward the repayment of the $1.0 billion of debt that matured in May 2014.

In May 2013, we issued an aggregate principal amount of $1.0 billion of fixed-rate long-term debt, with $500 million due in 2018 and $500 million due in 2023. We incurred $6 million of issuance and other related costs, which are amortized to Interest and debt expense over the term of the debt. The proceeds of the offering were $986 million, net of the original issuance discount and were used toward the repayment of $1.5 billion of maturing debt, including floating-rate notes. In connection with this repayment, we settled a floating-to-fixed interest rate swap associated with the maturing debt.

Long-term debt outstanding as of December 31, 2015 and 2014 is as follows:

	December 31,	
	2015	2014
Notes due 2015 at 3.95% (assumed with National acquisition)	**$ —**	$ 250
Notes due 2015 at 0.45%	**—**	750
Notes due 2016 at 2.375%	**1,000**	1,000
Notes due 2017 at 6.60% (assumed with National acquisition)	**375**	375
Notes due 2017 at 0.875%	**250**	250
Notes due 2018 at 1.00%	**500**	500
Notes due 2019 at 1.65%	**750**	750
Notes due 2020 at 1.75%	**500**	—
Notes due 2021 at 2.75%	**250**	250
Notes due 2023 at 2.25%	**500**	500
Total debt	**4,125**	4,625
Net unamortized (discount) premium and debt issuance costs	**(5)**	6
Total debt, including net unamortized (discount) premium and debt issuance costs	**4,120**	4,631
Current portion of long-term debt	**(1,000)**	(1,001)
Long-term debt	**$ 3,120**	$ 3,630

As of December 31, 2015, we retrospectively applied the provisions of ASU 2015-03 and ASU 2015-15 regarding the classification of debt issuance costs. See Note 2 for additional information. As a result, we reclassified $11 million of applicable debt issuance costs as of December 31, 2014, from Other assets to Long-term debt, as comprehended in Net unamortized (discount) premium and debt issuance costs, in the table above.

Interest and debt expense was $90 million in 2015, $94 million in 2014 and $95 million in 2013. This was net of the amortization of the debt (discount) premium and other debt issuance costs. Cash payments for interest on long-term debt were $99 million in 2015 and $102 million in both 2014 and 2013. Capitalized interest was not material.

12. Commitments and contingencies

Operating leases

We conduct certain operations in leased facilities and also lease a portion of our data processing and other equipment. In addition, certain long-term supply agreements to purchase industrial gases are accounted for as operating leases. Lease agreements frequently include purchase and renewal provisions and require us to pay taxes, insurance and maintenance costs. Rental and lease expense incurred was $98 million, $113 million and $120 million in 2015, 2014 and 2013, respectively.

Capitalized software licenses

We have licenses for certain internal-use electronic design automation software that we account for as capital leases. The related liabilities are apportioned between Accounts payable and Deferred credits and other liabilities on our Consolidated Balance Sheets, depending on the contractual timing of payments.

Purchase commitments

Some of our purchase commitments entered in the ordinary course of business provide for minimum payments.

As of December 31, 2015, we had committed to make the following minimum payments under our non-cancellable operating leases, capitalized software licenses and purchase commitments:

	Operating Leases	Capitalized Software Licenses	Purchase Commitments
2016	$ 69	$ 30	$ 95
2017	53	2	54
2018	37	—	40
2019	21	—	33
2020	19	—	17
Thereafter	62	—	1

Indemnification guarantees

We routinely sell products with an intellectual property indemnification included in the terms of sale. Historically, we have had only minimal, infrequent losses associated with these indemnities. Consequently, we cannot reasonably estimate any future liabilities that may result.

Warranty costs/product liabilities

We accrue for known product-related claims if a loss is probable and can be reasonably estimated. During the periods presented, there have been no material accruals or payments regarding product warranty or product liability. Historically, we have experienced a low rate of payments on product claims. Although we cannot predict the likelihood or amount of any future claims, we do not believe they will have a material adverse effect on our financial condition, results of operations or liquidity. Typically, our warranties for semiconductor products obligate us to repair, replace or credit the purchase price of a covered product back to the buyer. Product claims may exceed the price of our products.

General

We are subject to various legal and administrative proceedings. Although it is not possible to predict the outcome of these matters, we believe that the results of these proceedings will not have a material adverse effect on our financial condition, results of operations or liquidity.

13. Supplemental financial information

Acquisition charges

We incurred various costs as a result of the 2011 acquisition of National that are included in Other for segment reporting purposes, consistent with how management measures the performance of its segments. For the years ended December 31, 2015, 2014 and 2013, Acquisition charges were primarily from the ongoing amortization of intangible assets resulting from the National acquisition. See Note 9 for additional information.

Other Income (Expense), Net (OI&E)	For Years Ended December 31,		
	2015	2014	2013
Lease income	**$ 14**	$ 14	$ 14
Tax interest income (expense)	**8**	6	(10)
Interest income	**6**	7	10
Currency exchange gains (losses)	**5**	(4)	(2)
Investment gains (losses)	**3**	5	18
Other	**(4)**	(7)	(13)
Total	**$ 32**	$ 21	$ 17

Prepaid Expenses and Other Current Assets

	December 31, 2015	December 31, 2014
Prepaid taxes on intercompany inventory profits, net	**$ 801**	$ 693
Other prepaid expenses and current assets	**199**	157
Total	**$ 1,000**	$ 850

Property, Plant and Equipment at Cost

	Depreciable Lives (Years)	December 31, 2015	December 31, 2014
Land	n/a	**$ 127**	$ 137
Buildings and improvements	5 - 40	**2,789**	2,801
Machinery and equipment	3 - 10	**2,549**	3,328
Total		**$ 5,465**	$ 6,266

Accumulated Other Comprehensive Income (Loss), Net of Taxes (AOCI)

	December 31, 2015	December 31, 2014
Postretirement benefit plans:		
Net actuarial loss	**$ (550)**	$ (529)
Prior service credit	**20**	—
Cash flow hedge derivative	**(2)**	(3)
Total	**$ (532)**	$ (532)

Details on amounts reclassified out of Accumulated other comprehensive income (loss), net of taxes, to Net income

Our Consolidated Statements of Comprehensive Income include items that have been recognized within Net income during the years ended December 31, 2015, 2014 and 2013. The table below details where on the Consolidated Statements of Income these transactions are recorded.

Details about AOCI Components	For Years Ended December 31, 2015	2014	2013	Impact to Related Statement of Income Line
Net actuarial gains (losses) of defined benefit plans:				
Recognized net actuarial loss and Settlement losses (a)	**$ 78**	$ 63	$ 108	Increase to Pension expense (b)
Tax effect	**(25)**	(21)	(37)	Decrease to Provision for income taxes
Recognized within Net income, net of taxes	**$ 53**	$ 42	$ 71	Decrease to Net income
Prior service (cost) credit of defined benefit plans:				
Amortization of prior service cost (credit) and Curtailment gain (a)	**$ —**	$ —	$ (5)	Decrease to Pension expense (b)
Tax effect	**—**	—	2	Increase to Provision for income taxes
Recognized within Net income, net of taxes	**$ —**	$ —	$ (3)	Increase to Net income
Derivative instruments:				
Amortization of treasury rate locks	**$ 2**	$ 2	$ 2	Increase to Interest and debt expense
Tax effect	**(1)**	(1)	(1)	Decrease to Provision for income taxes
Recognized within Net income, net of taxes	**$ 1**	$ 1	$ 1	Decrease to Net income

(a) Detailed in Note 10.

(b) Pension expense is included in COR, R&D, SG&A and Restructuring charges/other in the Consolidated Statements of Income.

14. Quarterly financial data (unaudited)

2015	Quarter 1st	2nd	3rd	4th
Revenue	**$ 3,150**	**$ 3,232**	**$ 3,429**	**$ 3,189**
Gross profit	**1,816**	**1,881**	**1,997**	**1,866**
Included in Operating profit:				
Acquisition charges	**83**	**82**	**83**	**81**
Restructuring charges/other	**(2)**	**(1)**	**—**	**(68)**
Operating profit	**958**	**1,010**	**1,164**	**1,142**
Net income	**656**	**696**	**798**	**836**
Earnings per common share:				
Basic earnings per common share	**$ 0.62**	**$ 0.66**	**$ 0.77**	**$ 0.81**
Diluted earnings per common share	**0.61**	**0.65**	**0.76**	**0.80**

2014	Quarter 1st	2nd	3rd	4th
Revenue	$ 2,983	$ 3,292	$ 3,501	$ 3,269
Gross profit	1,607	1,881	2,044	1,895
Included in Operating profit:				
Acquisition charges	83	82	83	82
Restructuring charges/other	(11)	(4)	(9)	(27)
Operating profit	690	982	1,175	1,100
Net income	487	683	826	825
Earnings per common share:				
Basic earnings per common share	$ 0.44	$ 0.63	$ 0.77	$ 0.78
Diluted earnings per common share	0.44	0.62	0.76	0.76

Report of independent registered public accounting firm

The Board of Directors and Stockholders
Texas Instruments Incorporated

We have audited the accompanying consolidated balance sheets of Texas Instruments Incorporated and subsidiaries (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Texas Instruments Incorporated and subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of classifying deferred tax assets and liabilities effective December 31, 2015.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2016, expressed an unqualified opinion thereon.

Ernst & Young LLP

Dallas, Texas
February 24, 2016

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Not applicable.

ITEM 9A. Controls and Procedures.

Disclosure controls and procedures

An evaluation as of the end of the period covered by this report was carried out under the supervision and with the participation of TI's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of TI's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that those disclosure controls and procedures were effective.

Internal control over financial reporting

Report by management on internal control over financial reporting

The management of TI is responsible for establishing and maintaining effective internal control over financial reporting. TI's internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements issued for external purposes in accordance with generally accepted accounting principles. There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) that occurred during the fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

TI management assessed the effectiveness of internal control over financial reporting as of December 31, 2015. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria) in Internal Control – Integrated Framework. Based on our assessment we believe that, as of December 31, 2015, our internal control over financial reporting is effective based on the COSO criteria.

TI's independent registered public accounting firm, Ernst & Young LLP, has issued an audit report on the effectiveness of our internal control over financial reporting, which immediately follows this report.

Report of independent registered public accounting firm on internal control over financial reporting

The Board of Directors and Stockholders
Texas Instruments Incorporated

We have audited Texas Instruments Incorporated's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Texas Instruments Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying report by management on internal control over financial reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Texas Instruments Incorporated maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Texas Instruments Incorporated and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2015, and our report dated February 24, 2016, expressed an unqualified opinion thereon.

Ernst & Young LLP

Dallas, Texas
February 24, 2016

ITEM 9B. Other Information.

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance.

The information with respect to directors' names, ages, positions, term of office and periods of service, which is contained under the caption "Election of directors" in our proxy statement for the 2016 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to directors' business experience, which is contained under the caption "Board diversity and nominee qualifications" in our proxy statement for the 2016 annual meeting of stockholders, is incorporated herein by reference to such proxy statement.

The information with respect to Section 16(a) beneficial ownership reporting compliance contained under the caption of the same name in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

A list of our executive officers and their biographical information appears in Part I, Item 1 of this report.

Code of Ethics

We have adopted the Code of Ethics for TI Chief Executive Officer and Senior Finance Officers. A copy of the Code can be found on our web site at www.ti.com/corporategovernance. We intend to satisfy the disclosure requirements of the SEC regarding amendments to, or waivers from, the Code by posting such information on the same web site.

Audit Committee

The information contained under the caption "Committees of the board" with respect to the audit committee and the audit committee financial expert in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 11. Executive Compensation.

The information contained under the captions "Director compensation" and "Executive compensation" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement, provided that the Compensation Committee report shall not be deemed filed with this Form 10-K.

The information contained under the caption "Compensation committee interlocks and insider participation" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Equity compensation plan information

The information contained under the caption "Equity compensation plan information" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

Security ownership of certain beneficial owners and management

The information that is contained under the captions "Security ownership of certain beneficial owners" and "Security ownership of directors and management" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence.

The information contained under the caption "Related person transactions" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

The information contained under the caption "Director independence" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

ITEM 14. Principal Accountant Fees and Services.

The information with respect to principal accountant fees and services contained under the caption "Proposal to ratify appointment of independent registered public accounting firm" in our proxy statement for the 2016 annual meeting of stockholders is incorporated herein by reference to such proxy statement.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules.

The financial statements are listed in the index included in Item 8, "Financial Statements and Supplementary Data."

Designation of Exhibit	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Date of Filing	Exhibit Number	
3(a)	Restated Certificate of Incorporation of the Registrant, dated April 18, 1985, as amended	10-K	001-3761	February 24, 2015	3(a)	
3(b)	By-Laws of the Registrant	10-K	001-3761	February 24, 2015	3(b)	
4(a)	Indenture	8-K	001-3761	May 23, 2011	4.2	
4(b)	Officer's Certificate	8-K	001-3761	May 23, 2011	4.3	
4(c)	Officer's Certificate	8-K	001-3761	May 8, 2013	4.2	
4(d)	Officer's Certificate	8-K	001-3761	March 12, 2014	4.2	
4(e)	Officer's Certificate	8-K	001-3761	May 6, 2015	4.1	
4(f)	The Registrant has omitted certain instruments defining the rights of holders of long-term debt of the Registrant and its subsidiaries pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). The Registrant undertakes to furnish a copy of such instruments to the Securities and Exchange Commission upon request.					
10(a)	TI Deferred Compensation Plan, as amended*					X
10(b)	TI Employees Non-Qualified Pension Plan, effective January 1, 2009, as amended*					X
10(c)	TI Employees Non-Qualified Pension Plan II*					X
10(d)	Texas Instruments Long-Term Incentive Plan, adopted April 15, 1993*	10-K	001-3761	February 24, 2012	10(c)	
10(e)	Texas Instruments 2000 Long-Term Incentive Plan as amended October 16, 2008*	10-K	001-3761	February 24, 2015	10(e)	
10(f)	Texas Instruments 2003 Long-Term Incentive Plan as amended October 16, 2008	10-K	001-3761	February 24, 2015	10(f)	
10(g)	Texas Instruments Executive Officer Performance Plan as amended September 17, 2009*	10-K	001-3761	February 24, 2015	10(g)	
10(h)	Texas Instruments Restricted Stock Unit Plan for Directors, as amended, dated April 16, 1998	10-K	001-3761	February 24, 2012	10(h)	
10(i)	Texas Instruments Directors Deferred Compensation Plan, as amended, dated April 16, 1998	10-K	001-3761	February 24, 2012	10(i)	
10(j)	Texas Instruments 2003 Director Compensation Plan as amended January 19, 2012	10-K	001-3761	February 24, 2015	10(j)	
10(k)	Form of Non-Qualified Stock Option Agreement for Executive Officers under the Texas Instruments 2009 Long-Term Incentive Plan*	10-K	001-3761	February 22, 2013	10(l)	
10(l)	Form of Restricted Stock Unit Award Agreement under the Texas Instruments 2009 Long-Term Incentive Plan*	10-K	001-3761	February 22, 2013	10(m)	
10(m)	Texas Instruments 2009 Long-Term Incentive Plan as amended January 19, 2012*	10-K	001-3761	February 24, 2015	10(m)	

FORM 10-K

Designation of Exhibit	Description of Exhibit	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Date of Filing	Exhibit Number	
10(n)	Texas Instruments 2009 Director Compensation Plan as amended December 2, 2010	8-K	001-3761	December 7, 2010	10	
12	Ratio of Earnings to Fixed Charges					X
21	List of Subsidiaries of the Registrant					X
23	Consent of Independent Registered Public Accounting Firm					X
31(a)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Executive Officer					X
31(b)	Rule 13a-14(a)/15(d)-14(a) Certification of Chief Financial Officer					X
32(a)	Section 1350 Certification of Chief Executive Officer					X
32(b)	Section 1350 Certification of Chief Financial Officer					X
101.ins	Instance Document					X
101.sch	XBRL Taxonomy Schema					X
101.cal	XBRL Taxonomy Calculation Linkbase					X
101.Def	XBRL Taxonomy Definitions Document					X
101.lab	XBRL Taxonomy Labels Linkbase					X
101.pre	XBRL Taxonomy Presentation Linkbase					X

* Management compensation plans and arrangements

Notice regarding forward-looking statements

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

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

- Market demand for semiconductors, particularly in TI's end markets;
- TI's ability to compete in products and prices in an intensely competitive industry;
- Losses or curtailments of purchases from key customers and the timing and amount of distributor and other customer inventory adjustments;
- Customer demand that differs from forecasts and the financial impact of inadequate or excess TI inventory that results from demand that differs from projections;
- TI's ability to maintain or improve profit margins, including its ability to utilize its manufacturing facilities at sufficient levels to cover its fixed operating costs, in an intensely competitive and cyclical industry;
- TI's ability to develop, manufacture and market innovative products in a rapidly changing technological environment;
- Economic, social and political conditions in the countries in which TI, its customers or its suppliers operate, including security risks, health conditions, possible disruptions in transportation, communications and information technology networks and fluctuations in foreign currency exchange rates;
- Natural events such as severe weather, geological events or health epidemics in the locations in which TI, its customers or its suppliers operate;
- Breaches of TI's information technology systems or those of its customers or suppliers;
- Availability and cost of raw materials, utilities, manufacturing equipment, third-party manufacturing services and manufacturing technology;
- Timely implementation of new manufacturing technologies and installation of manufacturing equipment, and the ability to obtain needed third-party foundry and assembly/test subcontract services;
- TI's ability to maintain and enforce a strong intellectual property portfolio and obtain needed licenses from third parties, expiration of license agreements between TI and its patent licensees, and market conditions reducing royalty payments to TI;
- Compliance with or changes in the complex laws, rules and regulations to which TI is or may become subject, or actions of enforcement authorities, that restrict TI's ability to manufacture its products or operate its business, or subject us to fines, penalties, or other legal liability;
- Product liability or warranty claims, claims based on epidemic or delivery failure, or other claims relating to TI products, manufacturing, services, design or communications, or recalls by TI customers for a product containing a TI part;
- Changes in the tax rate applicable to TI as the result of changes in tax law, the jurisdictions in which profits are determined to be earned and taxed, adverse resolution of tax audits and the ability to realize deferred tax assets;
- Financial difficulties of distributors or their promotion of competing product lines to TI's detriment;
- A loss suffered by a customer or distributor of TI with respect to TI-consigned inventory;
- Instability in the global credit and financial markets that affects TI's ability to fund its daily operations, invest in the business, make strategic acquisitions, or make principal and interest payments on its debt;
- Increases in health care and pension benefit costs;
- TI's ability to recruit and retain skilled personnel;
- TI's ability to successfully integrate and realize opportunities for growth from acquisitions, and its ability to realize its expectations regarding the amount and timing of restructuring charges and associated cost savings; and
- Impairments of TI's non-financial assets.

For a more detailed discussion of these factors see the Risk Factors discussion in Item 1A of this report. The forward-looking statements included in this report are made only as of the date of this report, and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS INSTRUMENTS INCORPORATED

By: /s/ Kevin P. March

Kevin P. March
Senior Vice President,
Chief Financial Officer
and Chief Accounting Officer

Date: February 24, 2016

Each person whose signature appears below constitutes and appoints each of Richard K. Templeton, Kevin P. March, and Cynthia Hoff Trochu, or any of them, each acting alone, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such person and in his or her name, place and stead, in any and all capacities in connection with the annual report on Form 10-K of Texas Instruments Incorporated for the year ended December 31, 2015, to sign any and all amendments to the Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 24th day of February 2016.

Signature	Title
/s/ Ralph W. Babb, Jr. **Ralph W. Babb, Jr.**	Director
/s/ Mark A. Blinn **Mark A. Blinn**	Director
/s/ Daniel A. Carp **Daniel A. Carp**	Director
/s/ Janet F. Clark **Janet F. Clark**	Director
/s/ Carrie S. Cox **Carrie S. Cox**	Director
/s/ Ronald Kirk **Ronald Kirk**	Director
/s/ Pamela H. Patsley **Pamela H. Patsley**	Director
/s/ Robert E. Sanchez **Robert E. Sanchez**	Director

Signature	Title
/s/ Wayne R. Sanders **Wayne R. Sanders**	Director
/s/ Ruth J. Simmons **Ruth J. Simmons**	Director
/s/ Richard K. Templeton **Richard K. Templeton**	Chairman of the Board; Director; President; Chief Executive Officer
/s/ Christine Todd Whitman **Christine Todd Whitman**	Director
/s/ Kevin P. March **Kevin P. March**	Senior Vice President; Chief Financial Officer; Chief Accounting Officer

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 21, 2016

Dear Stockholder:

You are cordially invited to attend the 2016 annual meeting of stockholders on Thursday, April 21, 2016, at the cafeteria on our property at 12500 TI Boulevard, Dallas, Texas, at 9:00 a.m. (Central time). At the meeting we will consider and act upon the following matters:

- the election of directors for the next year,
- advisory approval of the company's executive compensation,
- ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2016,
- approval of amendments to the Texas Instruments 2009 Long-Term Incentive Plan, and
- such other matters as may properly come before the meeting.

Stockholders of record at the close of business on February 22, 2016, are entitled to vote at the annual meeting.

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

Sincerely,

Cynthia Hoff Trochu
Senior Vice President,
Secretary and
General Counsel

Dallas, Texas
March 9, 2016

PROXY STATEMENT

TABLE OF CONTENTS

Voting procedures and quorum 3
Election of directors 4
  Nominees for directorship 4
  Director nomination process 5
  Board diversity and nominee qualifications 5
  Communications with the board 8
  Corporate governance 8
  Annual meeting attendance 8
  Director independence 8
Board organization 9
  Board and committee meetings 9
  Committees of the board 10
  Board leadership structure 12
  Risk oversight by the board 12
Director compensation 13
  2015 director compensation 14
Executive compensation 16
  Proposal regarding advisory approval of the company's executive compensation 16
  Compensation Discussion and Analysis 16
  Compensation Committee report 28
  2015 summary compensation table 28
  Grants of plan-based awards in 2015 30
  Outstanding equity awards at fiscal year-end 2015 31
  2015 option exercises and stock vested 33
  2015 pension benefits 34
  2015 non-qualified deferred compensation 36
  Potential payments upon termination or change in control 37
Audit Committee report 40
Proposal to ratify appointment of independent registered public accounting firm 41
Proposal to approve amendment of the Texas Instruments 2009 Long-Term Incentive Plan 42
Equity compensation plan information 46
Additional information 47
  Voting securities 47
  Security ownership of certain beneficial owners 47
  Security ownership of directors and management 48
  Related person transactions 49
  Compensation committee interlocks and insider participation 50
  Cost of solicitation 50
  Stockholder proposals for 2017 51
  Benefit plan voting 51
  Section 16(a) beneficial ownership reporting compliance 51
  Telephone and Internet voting 51
  Stockholders sharing the same address 52
  Electronic delivery of proxy materials and copies of our Form 10-K 52
Notice regarding forward-looking statements 52
Directions and other annual meeting information 53
Appendix A (Non-GAAP reconciliations) A-1
Appendix B (Texas Instruments 2009 Long-Term Incentive Plan) B-1

PROXY STATEMENT – MARCH 9, 2016

EXECUTIVE OFFICES
12500 TI BOULEVARD, DALLAS, TEXAS 75243
MAILING ADDRESS: P.O. BOX 660199, DALLAS, TEXAS 75266-0199

Voting procedures and quorum

TI's board of directors requests your proxy for the annual meeting of stockholders on April 21, 2016. 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 9, 2016. If you come to the meeting, you can vote in person. If you do not 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, which can be found on the enclosed proxy. 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.

A quorum of stockholders is necessary to hold a valid meeting. If at least a majority of the shares of TI common stock issued and outstanding and entitled to vote are present in person or by proxy, a quorum will exist. Abstentions and broker non-votes are counted as present for purposes of establishing a quorum. Broker non-votes occur when a beneficial owner who holds company stock through a broker does not provide the broker with voting instructions as to any matter on which the broker is not permitted to exercise its discretion and vote without specific instruction.

Scheduled to be considered at the meeting are the election of directors, an advisory vote regarding approval of the company's executive compensation, ratification of the appointment of our independent registered public accounting firm and approval of amendments to the Texas Instruments 2009 Long-Term Incentive Plan. Each of these matters is discussed elsewhere in this proxy statement. On each of these matters you may vote "for," "against" or "abstain." The vote required for the election of directors and approval of the other matters is shown in the table below.

Matter	Required Vote	Impact of Abstentions or Broker Non-Votes
Election of directors	Majority of votes present in person or by proxy at the meeting and entitled to be cast in the election with respect to a nominee must be cast for that nominee.	Abstentions have the same effect as votes against. Broker non-votes are not counted as votes for or against.
Advisory vote to approve named executive officer compensation.	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions and broker non-votes have the same effect as votes against.
Proposal to ratify appointment of independent registered public accounting firm.	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions have the same effect as votes against. (Brokers are permitted to exercise their discretion and vote without specific instruction on this matter. Accordingly, there are no broker non-votes.)
Proposal to approve amendments to the Texas Instruments 2009 Long-Term Incentive Plan.	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions and broker non-votes have the same effect as votes against.
Any other matter that may properly be submitted at the meeting.	Majority of votes present in person or by proxy at the meeting must be cast for the proposal.	Abstentions and broker non-votes have the same effect as votes against.

Election of directors

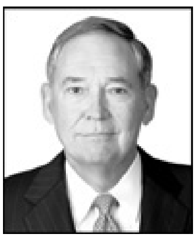
Directors are elected at the annual meeting to hold office until the next annual meeting and until their successors are elected and qualified. The board of directors has designated the following persons as nominees: RALPH W. BABB, JR., MARK A. BLINN, DANIEL A. CARP, JANET F. CLARK, CARRIE S. COX, RONALD KIRK, PAMELA H. PATSLEY, ROBERT E. SANCHEZ, WAYNE R. SANDERS, 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 directors of the company. For a discussion of each nominee's qualifications to serve as a director of the company, please see pages 6-8. If any nominee becomes unable to serve before the meeting, the persons named as proxies may vote for a substitute or the number of directors will be reduced accordingly.

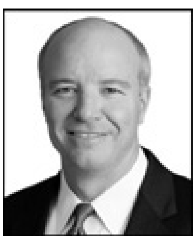
Directors



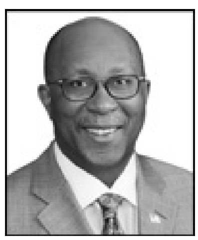
RALPH W. BABB, JR.
Age 67
Director since 2010
Lead Director; Chair, Audit Committee

CARRIE S. COX
Age 58
Director since 2004
Member, Governance and Stockholder Relations Committee

WAYNE R. SANDERS
Age 68
Director since 1997
Chair, Governance and Stockholder Relations Committee



MARK A. BLINN
Age 54
Director since 2013
Member, Audit Committee



RONALD KIRK
Age 61
Director since 2013
Member, Governance and Stockholder Relations Committee

RICHARD K. TEMPLETON
Age 57
Chairman since 2008 and director since 2003

DANIEL A. CARP
Age 67
Director since 1997
Member, Compensation Committee

PAMELA H. PATSLEY
Age 59
Director since 2004
Member, Compensation Committee

CHRISTINE TODD WHITMAN
Age 69
Director since 2003
Member, Compensation Committee

JANET F. CLARK
Age 61
Director since 2015
Member, Audit Committee

ROBERT E. SANCHEZ
Age 50
Director since 2011
Chair, Compensation Committee

Director not standing for re-election

RUTH J. SIMMONS
Age 70
Director since 1999
Member, Audit Committee

Ms. Simmons, a highly valued director since 1999, has attained the age of 70 and is therefore ineligible under the company's by-laws to stand for re-election at the 2016 annual meeting.

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 G&SR Committee), which is responsible for reviewing and recommending nominees to the board. The G&SR Committee is comprised solely of independent directors as defined by the rules of The NASDAQ Stock Market (NASDAQ) and the board's corporate governance guidelines. Our board of directors has adopted a written charter for the G&SR Committee. It can be found on our website 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 G&SR Committee's consideration can write to the Secretary of the G&SR Committee, Texas Instruments Incorporated, P.O. Box 655936, MS 8658, Dallas, TX 75265-5936. The G&SR Committee will evaluate the stockholder's prospective board nominee in the same manner as it evaluates other nominees.

In evaluating prospective nominees, the G&SR 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 G&SR Committee will consider the number of other boards on which the individual serves as a director, and in particular the board's policy that directors should not serve on the boards of more than three other public companies).
- 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-employee directors, management and others may submit recommendations to the G&SR Committee.

All nominees for directorship are directors of the company. Ms. Clark was elected to the board effective July 15, 2015. She is the only director nominee at the 2016 annual meeting of stockholders who is standing for election by the stockholders for the first time. A search firm retained by the company to assist the G&SR Committee in identifying and evaluating potential nominees initially identified Ms. Clark as a potential director candidate. The search firm conducted research to identify a number of potential candidates, based on qualifications and skills the G&SR Committee determined that candidates should possess. It then conducted further research on the candidates in whom the G&SR Committee had the most interest.

The board believes its current size is within the desired range as stated in the board's corporate governance guidelines.

Board diversity and nominee qualifications

As indicated by the criteria above, the board prefers a mix of background and experience among its members. The board does not follow any ratio or formula to determine the appropriate mix. Rather, it uses its judgment to identify nominees whose backgrounds, attributes and experiences, taken as a whole, will contribute to the high standards of board service at the company. Maintaining a balance of tenure among the directors is part of the board's consideration. Longer-serving directors bring valuable experience with the company and familiarity with the strategic and operational challenges it has faced over the years, while newer directors bring fresh perspectives and ideas. To help maintain this balance, the company has a mandatory retirement policy, pursuant to which directors cannot stand for election after reaching age 70. The effectiveness of the board's approach to board composition decisions is evidenced by the directors' participation in the insightful and robust yet respectful deliberation that occurs at board and committee meetings and in shaping the agendas for those meetings.

As it considered director nominees for the 2016 annual meeting, the board kept in mind that the most important issues it considers typically relate to the company's strategic direction; succession planning for senior executive positions; the company's financial performance; the challenges of running a large, complex enterprise, including the management of its risks; major acquisitions and divestitures; and significant research and development (R&D) and capital investment decisions. These issues arise in the context of the company's operations, which primarily involve the manufacture and sale of semiconductors all over the world into industrial, automotive, personal electronics, communications equipment and enterprise systems markets.

As described below, each of our director nominees has achieved an extremely high level of success in his or her career, whether at multi-billion dollar multinational corporate enterprises or significant governmental organizations. In these positions, each has been directly involved in the challenges relating to setting the strategic direction and managing the financial performance, personnel and processes of large, complex organizations. Each has had exposure to effective leaders and has developed the ability to judge leadership qualities. Ten of the director nominees have experience in serving on the board of directors of at least one other major corporation, and two have served in high political office, all of which provides additional relevant experience on which each nominee can draw.

In concluding that each nominee should serve as a director, the board relied on the specific experiences and attributes listed below and on the direct personal knowledge, born of previous service on the board, that each of the nominees brings insight and the willingness to ask difficult questions to board deliberations.

Mr. Babb

- As chairman and CEO of Comerica Incorporated and Comerica Bank (2002-present) and through a long career in banking, has gained first-hand experience in managing large, complex institutions, as well as insight into financial markets.
- As Audit Committee chair at the company (April 19, 2013-present), chief financial officer of Comerica Incorporated and Comerica Bank (1995-2002), controller and later chief financial officer of Mercantile Bancorporation (1978-1995), and auditor and later audit manager at the accounting firm of Peat Marwick Mitchell & Co. (1971-1978), has gained extensive audit knowledge and experience in audit- and financial control-related matters.

Mr. Blinn

- As CEO and a director of Flowserve Corporation (2009-present), has gained first-hand experience in managing a large, multinational corporation operating in global industrial markets, with ultimate management responsibility for the organization's financial performance and significant capital and R&D investments.
- As chief financial officer of Flowserve Corporation (2004-2009), chief financial officer of FedEx Kinko's Office and Print Services Inc. (2003-2004) and vice president and controller of Centex Corporation (2000-2002), has developed a keen appreciation for audit- and financial control-related matters.

Mr. Carp

- As chairman and CEO (2000-2005) and president (1997-2001, 2002-2003) of Eastman Kodak Company, has gained first-hand experience in managing a large, multinational corporation focused on worldwide electronics markets, with ultimate management responsibility for the corporation's financial performance and its significant investments in capital and R&D.
- As chairman of the board of directors of Delta Air Lines, Inc. (2007-present), a director of Norfolk Southern Corporation (2006-present) and a director of Liz Claiborne, Inc. (2006-2009), has helped oversee the strategy and operations of major multinational corporations in various industries, including some that are capital-intensive.

Ms. Clark

- As executive vice president (2007-2013) and chief financial officer (2004-2013) of Marathon Oil Corporation, has developed a keen appreciation for audit- and financial control-related matters.

- As a director of Goldman Sachs BDC, Inc. (2015-present) and EOG Resources, Inc. (2014-present) and as a former director of Exterran Holdings, Inc. (and its predecessor company, Universal Compression Holdings, Inc.) (2003-2011) and Dell Inc. (2011-2013), has helped oversee the strategy and operations of other large multinational corporations, including one with a focus on technology.

Ms. Cox

- As chairman (2013-present), CEO and a director (2010-present) of Humacyte, Inc., executive vice president and president of Global Pharmaceuticals at Schering-Plough Corporation (2003-2009) and executive vice president and president of Global Prescription Business at Pharmacia Corporation (1997-2003), has gained first-hand experience in managing large, multinational organizations focused on medical-related markets, with responsibility for those organizations' financial performance and significant capital and R&D investments. Is also a director of Cardinal Health, Inc. (2009-present) and Celgene Corporation (2009-present).

Mr. Kirk

- As U.S. Trade Representative (2009-2013), has gained first-hand experience in managing a complex organization that operates on an international scale and developed insight into issues bearing on global economic activity, international trade policies and strategies and the workings of foreign governments.
- As Senior Of Counsel of Gibson, Dunn & Crutcher LLP (2013-present), and as a partner of Vinson & Elkins, LLP (2005-2009), has gained first-hand experience as an advisor to numerous multinational companies.
- As a director of Brinker International, Inc. (1997-2009) and Dean Foods Company (1997-2009), has helped oversee the strategy and operations of other large corporations.

Ms. Patsley

- As executive chairman (2016-present) and chairman and CEO (2009-2015) of MoneyGram International, Inc., senior executive vice president of First Data Corporation (2000-2007) and president and CEO of Paymentech, Inc. (1991-2000), has gained first-hand experience in managing large, multinational organizations, including the application of technology in the financial services sector, with ultimate management responsibility for their financial performance and significant capital investments.
- As Audit Committee chair at the company (2006-April 18, 2013), a member of the audit committee at Dr Pepper Snapple Group, Inc., chief financial officer of First USA, Inc. (1987-1994) and an auditor at KPMG Peat Marwick for almost six years before joining First USA, has developed a keen appreciation for audit- and financial control-related matters.
- As a director of Dr Pepper Snapple Group, Inc. (2008-present) and a director of Molson Coors Brewing Company (2005-2009), has helped oversee the strategy and operations of other major multinational corporations.

Mr. Sanchez

- As chairman and CEO (2013-present), president (2012-2014) and chief operating officer (2012) of Ryder System, Inc., and as president of its Global Fleet Management Solutions business segment (2010-2012), has gained first-hand experience in managing a large, multinational, transportation-related organization, with responsibility for the organization's financial performance and significant capital investments.
- As executive vice president and chief financial officer (2007-2010) and as senior vice president and chief information officer (2003-2005) of Ryder System, Inc., has developed a keen appreciation for audit- and financial control-related issues and gained first-hand experience with all technology-related functions of a large, multinational corporation focused on transportation and logistics.

Mr. Sanders

- As chairman (1992-2003) and CEO (1991-2002) of Kimberly-Clark Corporation, has gained first-hand experience in managing a large, multinational consumer goods corporation, with ultimate management responsibility for its financial performance and its significant capital and R&D investments.
- As chairman of Dr Pepper Snapple Group, Inc. (2008-present) and a director of Belo Corporation (2003-2013), has helped oversee the strategy and operations of other large corporations.

Mr. Templeton

- As a 35-year veteran of the semiconductor industry, serving the last 20 years at a senior level at the company, including as chairman since 2008, CEO since 2004 and director since 2003, has developed a deep knowledge of all aspects of the company and of the semiconductor industry.

Ms. Whitman

- As Administrator of the Environmental Protection Agency (2001-2003) and Governor of the State of New Jersey (1994-2000), has gained first-hand experience managing a large, complex organization and developed keen insight into the workings of government on the federal and state level and how they might impact company operations.
- As a director of S.C. Johnson & Son, Inc. (2003-present) and United Technologies Corp. (2003-present), has helped oversee the strategy and operations of other large corporations.

Communications with the board

Stockholders and others who wish to communicate with the board, a board committee or an individual director, may write to them at: P.O. Box 655936, MS 8658, Dallas, TX 75265-5936. All communications sent to this address will be shared with the board, committee or individual director as applicable.

Corporate governance

The board has a long-standing commitment to responsible and effective corporate governance. We annually conduct extensive governance reviews and engage in investor outreach specific to governance and executive compensation matters. The board's corporate governance guidelines (which include the director independence standards), the charters of each of the board's committees, TI's code of conduct and our code of ethics for our CEO and senior financial officers are available on our website 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, TX 75266-0199, Attn: Investor Relations.

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 board members. In 2015, all directors then in office attended TI's annual meeting of stockholders.

Director independence

The board has determined that each of our directors is independent except for Mr. Templeton. In connection with this determination, information was reviewed regarding directors' business and charitable affiliations, directors' immediate family members and their employers, and any transactions or arrangements between the company and such persons or entities. 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;
   2. A 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 personally works on the company's audit;
   3. Within the current or preceding three fiscal years he or she was, and remains at the time of the determination, a partner in or a controlling shareholder, an executive officer or an employee of an organization that in the current year or any of the past three fiscal years (a) made payments to, or received payments from, the company for property or services, (b) extended loans to or received loans from, the company, or (c) received charitable contributions from the company, in an amount or amounts which, in the aggregate in such fiscal year, exceeded the greater of $200,000 or 2 percent of the recipient's consolidated gross revenues for that year (for purposes of this standard, "payments" excludes payments arising solely from investments in the company's securities and payments under non-discretionary charitable contribution matching programs); or
   4. Within the current or preceding three fiscal years a family member of the director was, and remains at the time of the determination, a partner in or a controlling shareholder or an executive officer of an organization that in the current year or any of the past three fiscal years (a) made payments to, or received payments from, the company for property or

services, (b) extended loans to or received loans from the company, or (c) received charitable contributions from the company, in an amount or amounts which, in the aggregate in such fiscal year, exceeded the greater of $200,000 or 2 percent of the recipient's consolidated gross revenues for that year (for purposes of this standard, "payments" excludes payments arising solely from investments in the company's securities and payments under non-discretionary charitable contribution matching programs).

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, provided the interim employment did not last longer than one year);
   2. He or she received more than $120,000 during any twelve-month period in compensation from the company (other than (a) compensation for board or board committee service, (b) compensation received for former service lasting no longer than one year as an interim chairman of the board, chief executive officer or other executive officer and (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation);
   3. A family member of the director was employed as an executive officer by the company;
   4. A family member of the director received more than $120,000 during any twelve-month period in compensation from the company (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 worked on the company's audit within that time;
   6. A family member of the director was (but is no longer) a partner or employee of the company's independent auditors and worked on the company's audit within that time;
   7. He or she was an executive officer of another entity at which any of the company's current executive officers at any time during the past three years served on that entity's compensation committee; or
   8. A family member of the director was an executive officer of another entity at which any of the company's current executive officers at any time during the past three years served on that entity's compensation committee.

C. No member of the Audit Committee may accept directly or indirectly any consulting, advisory or other compensatory fee from the company, other than in his or her capacity as a member 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 the company (provided that such compensation is not contingent in any way on continued service). In addition, no member of the Audit Committee may be an affiliated person of the company except in his or her capacity as a director.

D. With respect to service on the Compensation Committee, the board will consider all factors that it deems relevant to determining whether a director has a relationship to the company that is material to that director's ability to be independent from management in connection with the duties of a Compensation Committee member, including but not limited to:
   1. The source of compensation of the director, including any consulting, advisory or compensatory fee paid by the company to the director; and
   2. Whether the director is affiliated with the company, a subsidiary of the company or an affiliate of a subsidiary of the company.

E. For any other relationship, the determination of whether it would interfere with the director's exercise of independent judgment in carrying out his or her responsibilities, 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, "company" and "family member" will have the same meaning as under NASDAQ rules.

Board organization

Board and committee meetings

During 2015, the board held nine meetings. The board has three standing committees described below. The committees of the board collectively held 24 meetings in 2015. Each director attended at least 84 percent of the board and relevant committee meetings combined. Overall attendance at board and committee meetings was approximately 96 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 NASDAQ rules and the board's corporate governance guidelines. From April 18, 2014, to July 14, 2015, the committee members were Mr. Babb (Chair), Mr. Blinn and Ms. Simmons. Since July 15, 2015, the committee members have been Mr. Babb (chair), Mr. Blinn, Ms. Clark and Ms. Simmons. The Audit Committee is generally responsible for:

- Appointing, compensating, retaining and overseeing TI's independent registered public accounting firm.
- Reviewing the annual report of TI's independent registered public accounting firm related to quality control.
- Reviewing TI's annual and quarterly reports to the SEC, including the financial statements and the "Management's Discussion and Analysis" portion of those reports, and recommending appropriate action to the board.
- Reviewing TI's audit plans.
- Reviewing before issuance TI's 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 TI's audited financial statements with management and the independent registered public accounting firm, including a discussion with the firm regarding the matters required to be reviewed under applicable legal or regulatory requirements.
- Reviewing relationships between the independent registered public accounting firm and TI.
- Reviewing and discussing the adequacy of TI's internal accounting controls and other factors affecting the integrity of TI's financial reports with management and with the independent registered public accounting firm.
- Creating and periodically reviewing TI's whistleblower policy.
- Reviewing TI's risk assessment and risk management policies.
- Reviewing TI's compliance and ethics program.
- Reviewing a report of compliance of management and operating personnel with TI's code of conduct, including TI's conflict of interest policy.
- Reviewing TI's 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 company's policy regarding investments and financial derivative products.

The board has determined that all members of the Audit Committee are financially sophisticated, as the board has interpreted such qualifications in its business judgment. In addition, the board has designated Mr. Babb as the audit committee financial expert as defined in the Securities Exchange Act of 1934, as amended.

The Audit Committee met ten times in 2015. The Audit Committee holds regularly scheduled meetings and reports its activities to the board. 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 pages 40-41 for a report of the committee.

Compensation Committee

All members of the Compensation Committee are independent. From April 18, 2014, to April 16, 2015, the committee members were Mr. Sanchez (chair), Ms. Patsley and Ms. Whitman. Since April 17, 2015, the committee members have been Mr. Sanchez (chair), Mr. Carp, Ms. Patsley and Ms. Whitman. The committee is responsible for:

- Reviewing the performance of the CEO and determining his compensation.
- Setting the compensation of the company's 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 company's 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.

- 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.
- Appointing, setting the compensation of, overseeing and considering the independence of any compensation consultant or other advisor.

The Compensation Committee met six times in 2015. The Compensation Committee holds regularly scheduled meetings, reports its activities to the board, and consults with the board before setting annual executive compensation. Please see page 28 for a report of the committee.

In performing its functions, the committee is supported by the company's 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 2015 compensation cycle. The committee instructed the consultant to advise it directly on executive compensation philosophy, strategies, pay levels, decision-making processes and other matters within the scope of the committee's charter. Additionally, the committee instructed the consultant to assist the company's Human Resources organization in its support of the committee in these matters with such items as peer-group assessment, analysis of the executive compensation market, and compensation recommendations.

The Compensation Committee considers it important that its compensation consultant's objectivity not be compromised by other engagements with the company or its management. In support of this belief, the committee has a policy on compensation consultants, a copy of which may be found on www.ti.com/corporategovernance. During 2015, the committee determined that its compensation consultant was independent of the company and had no conflict of interest.

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 deliberations or vote on his 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. 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 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 a limited number of stock options and restricted stock units under the company's long-term incentive plans. The sole member of the special committee is Mr. Templeton. The special committee has no authority to grant, amend or terminate any form of compensation for TI's executive officers. The Compensation Committee reviews the grant activity of the special committee.

Governance and Stockholder Relations Committee

All members of the G&SR Committee are independent. From April 18, 2014, to April 16, 2015, the committee members were Mr. Sanders (chair), Mr. Carp, Ms. Cox and Mr. Kirk. Since April 17, 2015, the committee members have been Mr. Sanders (chair), Mr. Cox and Mr. Kirk. The G&SR 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 the TI Foundation.
  - Revisions to TI's code of conduct.
- Electing officers of the company other than the executive officers.
- Overseeing an annual evaluation of the board and the committee.

The G&SR Committee met eight times in 2015. The G&SR Committee holds regularly scheduled meetings and reports its activities to the board. Please see page 5 for a discussion of stockholder nominations and page 8 for a discussion of communications with the board.

Board leadership structure

The board's current leadership structure combines the positions of chairman and CEO, and includes a lead director who presides at executive sessions and performs the duties listed below. The board believes that this structure, combined with its other practices (such as (a) including on each board agenda an opportunity for the independent directors to comment on and influence the proposed strategic agenda for future meetings and (b) holding an executive session at each board meeting), allows it to maintain the active engagement of independent directors and appropriate oversight of management.

The lead director is elected by the independent directors annually. The independent directors have elected Mr. Babb to serve as lead director. The duties of the lead director are to:

- Preside at all meetings of the board at which the chairman is not present, including executive sessions of the independent directors;
- Serve as liaison between the chairman and the independent directors;
- Approve information sent to the board;
- Approve meeting agendas for the board;
- Approve meeting schedules to assure that there is sufficient time for discussion of all agenda items; and
- If requested by major shareholders, ensure that he or she is available for consultation and direct communication.

In addition, the lead director has authority to call meetings of the independent directors.

The board, led by its G&SR Committee, regularly reviews the board's leadership structure. The board's consideration is guided by two questions: would stockholders be better served and would the board be more effective with a different structure. The board's views are informed by a review of the practices of other companies and insight into the preferences of top stockholders, as gathered from face-to-face dialogue and review of published guidelines. The board also considers how board roles and interactions would change if its leadership structure changed. The board's goal is for each director to have an equal stake in the board's actions and equal accountability to the corporation and its stockholders.

The board continues to believe that there is no uniform solution for a board leadership structure. Indeed, the company has had varying board leadership models over its history, at times separating the positions of chairman and CEO and at times combining the two, and now utilizing a lead director.

Risk oversight by the board

It is management's responsibility to assess and manage the various risks TI faces. It is the board's responsibility to oversee management in this effort. In exercising its oversight, the board has allocated some areas of focus to its committees and has retained areas of focus for itself, as more fully described below.

Management generally views the risks TI faces as falling into the following categories: strategic, operational, financial and compliance. The board as a whole has oversight responsibility for the company's strategic and operational risks (e.g., major initiatives, competitive markets and products, sales and marketing, and research and development). Throughout the year the CEO discusses these risks with the board during strategy reviews that focus on a particular business or function. In addition, at the end of the year, the CEO provides a formal report on the top strategic and operational risks.

TI's Audit Committee has oversight responsibility for financial risk (such as accounting, finance, internal controls and tax strategy). Oversight responsibility for compliance risk is shared by the board committees. For example, the Audit Committee oversees compliance with the company's code of conduct and finance- and accounting-related laws and policies, as well as the company's compliance program itself; the Compensation Committee oversees compliance with the company's executive compensation plans and related laws and policies; and the G&SR Committee oversees compliance with governance-related laws and policies, including the company's corporate governance guidelines.

The Audit Committee oversees the company's approach to risk management as a whole. It reviews the company's risk management process at least annually by means of a presentation by the CFO.

The board's leadership structure is consistent with the board and committees' roles in risk oversight. As discussed above, the board has found that its current structure and practices are effective in fully engaging the independent directors. Allocating various aspects of risk oversight among the committees provides for similar engagement. Having the chairman and CEO review strategic and operational risks with the board ensures that the director most knowledgeable about the company, the industry in which it operates and the competition and other challenges it faces shares those insights with the board, providing for a thorough and efficient process.

Director compensation

The G&SR Committee has responsibility for reviewing and making recommendations to the board on compensation for non-employee directors, with the board making the final determination. The committee has no authority to delegate its responsibility regarding director compensation. In carrying out this responsibility, it is supported by TI's Human Resources organization. The CEO, the senior vice president responsible for Human Resources and the Secretary review the recommendations made to the committee. The CEO also votes, as a member of the board, on the compensation of non-employee directors.

The compensation arrangements in 2015 for the non-employee directors were:

- Annual retainer of $85,000 for board and committee service.
- Additional annual retainer of $25,000 for service as the lead director.
- Additional annual retainer of $30,000 for service as chair of the Audit Committee; $20,000 for service as chair of the Compensation Committee; and $15,000 for service as chair of the G&SR Committee.
- Annual grant of a 10-year option to purchase TI common stock pursuant to the terms of the Texas Instruments 2009 Director Compensation Plan (Director Plan), which was approved by stockholders in April 2009. The grant date value is $100,000, determined using a Black-Scholes option-pricing model (subject to the board's ability to adjust the grant downward). These non-qualified 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 termination of service following a change in control (as defined in the Director Plan) of TI. If a director's service terminates due to death, disability or ineligibility to stand for re-election under the company's by-laws, or after the director has completed eight years of service, then all outstanding options held by the director shall continue to become exercisable in accordance with their terms. If a director's service terminates for any other reason, all outstanding options held by the director shall be exercisable for 30 days after the date of termination, but only to the extent such options were exercisable on the date of termination.
- Annual grant of restricted stock units pursuant to the Director Plan with a grant date value of $100,000 (subject to the board's ability to adjust the grant downward). 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 (i.e., the shares will issue) on such anniversary date if the director has completed eight years of service prior to termination or the director's termination was due to death, disability or ineligibility to stand for re-election under the company's 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. The director may defer receipt of dividend equivalents.

- $1,000 per day compensation for other activities designated by the chairman.
- A one-time grant of 2,000 restricted stock units upon a director's initial election to the board.

The board has determined that annual grants of equity compensation to non-employee directors will be timed to occur when grants are made to our U.S. employees in connection with the annual compensation review process. Accordingly, such equity grants to non-employee directors are made in January. Please see the discussion regarding the timing of equity compensation grants on page 25.

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 defer all or part of their cash compensation 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 earn interest from TI at a rate currently based on Moody's Seasoned Aaa Corporate Bonds. For 2015, that rate was 4.05 percent. Stock unit accounts fluctuate 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. Directors may also defer settlement of the restricted stock units they receive.

We have arrangements with certain customers whereby our employees may purchase consumer products containing TI components at discounted pricing. In addition, the TI Foundation has an educational and cultural matching gift program. In both cases, directors are 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.

2015 director compensation

The following table shows the compensation of all persons who were non-employee members of the board during 2015 for services in all capacities to TI in 2015.

Name	Fees Earned or Paid in Cash ($) (2)	Stock Awards ($) (3)	Option Awards ($) (4)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (5)	All Other Compensation ($) (6)	Total ($)
R. W. Babb, Jr.	$ 131,667	$ 99,951	$ 99,995	—	—	$ 40	$ 331,653
M. A. Blinn	$ 85,000	$ 99,951	$ 99,995	—	—	$ 6,540	$ 291,486
D. A. Carp	$ 85,000	$ 99,951	$ 99,995	—	—	$ 797	$ 285,743
J. F. Clark (1)	$ 39,301	$ 98,980	—	—	—	$ 20,040	$ 158,321
C. S. Cox	$ 85,000	$ 99,951	$ 99,995	—	$ 2,066	$ 10,040	$ 297,052
R. Kirk	$ 85,000	$ 99,951	$ 99,995	—	—	$ 40	$ 284,986
P. H. Patsley	$ 85,000	$ 99,951	$ 99,995	—	—	$ 40	$ 284,986
R. E. Sanchez	$ 105,000	$ 99,951	$ 99,995	—	—	$ 10,040	$ 314,986
W. R. Sanders	$ 108,333	$ 99,951	$ 99,995	—	—	$ 797	$ 309,076
R. J. Simmons	$ 85,000	$ 99,951	$ 99,995	—	$ 391	$ 10,040	$ 295,377
C. T. Whitman	$ 85,000	$ 99,951	$ 99,995	—	—	$ 40	$ 284,986

(1) Ms. Clark was elected to the board effective July 15, 2015.

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

(3) Shown is the aggregate grant date fair value of restricted stock units granted in 2015 calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification™ Topic 718, Compensation-Stock Compensation (ASC 718). The discussion of the assumptions used for purposes of calculating the grant date fair value appears in Note 4 to the financial statements contained in Item 8 ("Note 4 to the Financial Statements") in TI's annual report on Form 10-K for the year ended December 31, 2015. 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 mandatory retirement from the board (age 70) 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 13. The table below shows the aggregate number of shares underlying outstanding restricted stock units held by the named individuals as of December 31, 2015.

Name	Restricted Stock Units (in Shares)
R. W. Babb, Jr.	15,146
M. A. Blinn	6,121
D. A. Carp	31,810
J. F. Clark	2,000
C. S. Cox	25,146
R. Kirk	6,121
P. H. Patsley	12,259
R. E. Sanchez	10,259
W. R. Sanders	19,859
R. J. Simmons	31,146
C. T. Whitman	22,646

(4) Shown is the aggregate grant date fair value of options granted in 2015 calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of calculating the grant date fair value appears in Note 4 to the Financial Statements in TI's annual report on Form 10-K for the year ended December 31, 2015. The terms of these options are as set forth on page 13 except that for options granted before 2010, the grant becomes fully exercisable upon a change in control of TI. The table below shows the aggregate number of shares underlying outstanding stock options held by the named individuals as of December 31, 2015.

Name	Options (in Shares)
R. W. Babb, Jr.	59,745
M. A. Blinn	22,838
D. A. Carp	87,745
J. F. Clark	—
C. S. Cox	80,745
R. Kirk	22,838
P. H. Patsley	87,745
R. E. Sanchez	49,743
W. R. Sanders	59,745
R. J. Simmons	30,178
C. T. Whitman	87,745

(5) SEC rules require the disclosure of earnings on deferred compensation to the extent that the interest rate exceeds a specified rate (Federal Rate), which is 120 percent of the applicable federal long-term interest rate with compounding. Under the terms of the Director Plan, deferred compensation cash amounts earn interest at a rate based on Moody's Seasoned Aaa Corporate Bonds. For 2015, this interest rate exceeded the Federal Rate by 0.54 percentage points. Shown is the amount of interest earned on the directors' deferred compensation accounts that was in excess of the Federal Rate.

(6) Consists of (a) the annual cost ($40 per director) of premiums for travel and accident insurance policies, (b) contributions under the TI Foundation matching gift program of $6,500 for Mr. Blinn, $20,000 for Ms. Clark and $10,000 for each of Mses. Cox and Simmons and Mr. Sanchez and (c) for Messrs. Carp and Sanders, third-party administration fees for 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 by us. The contributions are made following the director's 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 company's annual costs under the program in All Other Compensation of the directors who participate. The cost attributable to each of Messrs. Carp and Sanders for their participation in this program was $757.

Executive compensation

We are providing you the opportunity to cast an advisory vote on named executive officer compensation as required by Section 14A of the Securities Exchange Act. The company holds this vote annually.

Proposal regarding advisory approval of the company's executive compensation

The board asks the shareholders to cast an advisory vote on the compensation of our named executive officers. The "named executive officers" are the chief executive officer, chief financial officer and three other most highly compensated executive officers, as named in the compensation tables on pages 28-40.

Specifically, we ask the shareholders to approve the following resolution:

> RESOLVED, that the compensation paid to the company's named executive officers, as disclosed in this proxy statement pursuant to the Securities and Exchange Commission's compensation disclosure rules, including the Compensation Discussion and Analysis, compensation tables and narrative discussion on pages 16-40 of this proxy statement, is hereby approved.

We encourage shareholders to review the Compensation Discussion and Analysis section of the proxy statement, which follows. It discusses our executive compensation policies and programs and explains the compensation decisions relating to the named executive officers for 2015. We believe that the policies and programs serve the interests of our shareholders and that the compensation received by the named executive officers is commensurate with the performance and strategic position of the company.

Although the outcome of this vote is not binding on the company or the board, the Compensation Committee of the board will consider it when setting future compensation for the executive officers.

The board of directors recommends a vote FOR the resolution approving the named executive officer compensation for 2015, as disclosed in this proxy statement.

Compensation Discussion and Analysis

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

- The elements of the 2015 compensation program, why we selected them and how they relate to one another; and
- How we determined the amount of compensation for 2015.

Currently, TI has 10 executive officers. These executives have the broadest job responsibilities and policy-making authority in the company. We hold them accountable for the company's performance and for maintaining a culture of strong ethics. Details of compensation for our CEO, CFO and the three other highest paid individuals who were executive officers in 2015 (collectively called the "named executive officers") can be found in the tables beginning on page 28.

Executive summary

- **TI's compensation program is structured to pay for performance and deliver rewards that encourage executives to think and act in both the short- and long-term interests of our shareholders. The majority of total compensation for our executives each year comes in the form of variable cash and equity compensation. Variable cash is tied to the short-term performance of the company, and the value of equity is tied to the long-term performance of the company. We believe our compensation program holds our executive officers accountable for the financial and competitive performance of TI.**
- **2015 compensation decisions for the CEO:**
  - Base salary was increased by 3 percent over 2014.
  - The grant date fair value of equity compensation awarded in 2015 was unchanged from 2014.

- The bonus decision was based primarily on the following performance results in 2015:

	2015 Absolute Performance	2015 Relative Performance*
Revenue Growth: Total TI	-0.3%	Median
Profit from Operations as a % of Revenue (PFO%)	32.9%	Above median
Total Shareholder Return (TSR)	5.2%	Median

Year-on-Year Change in CEO Bonus (2015 bonus compared to 2014)	0% change

* Relative to semiconductor competitors as outlined on page 22. Includes estimates and projections of certain competitors' financial results. See pages 22-24 for details of the Compensation Committee's assessment of TI's performance.

- Our executive compensation program is designed to encourage executive officers to pursue strategies that serve the interests of the company and shareholders, and not to promote excessive risk-taking by our executives. It is built on a foundation of sound corporate governance and includes:
  - Executive officers do not have employment contracts and are not guaranteed salary increases, bonus amounts or awards of equity compensation.
  - We have never repriced stock options. We do not grant reload options. We grant equity compensation with double-trigger change-in-control terms, which accelerate the vesting of grants only if the grantee has been terminated involuntarily within a limited time after a change in control of the company.
  - Bonus and equity compensation awards are subject to clawback under the committee's policy described on pages 25-26.
  - We do not provide excessive perquisites. We provide no tax gross-ups for perquisites.
  - We do not guarantee a return or provide above-market returns on compensation that has been deferred.
  - Pension benefits are calculated on salary and bonus only; the proceeds earned on equity or other performance awards are not part of the pension calculation.

The committee's strategy for setting cash and non-cash compensation is described in the table that follows immediately below. Its compensation decisions for the named executive officers for 2015 are discussed on pages 20-25. Benefit programs in which the executive officers participate are discussed on pages 26-27. Perquisites are discussed on page 27.

Detailed discussion

Compensation philosophy and elements

The Compensation Committee of TI's board of directors is responsible for setting the compensation of all TI executive officers. The committee consults with the other independent directors and its compensation consultant, Pearl Meyer & Partners, before setting annual compensation for the executives. The committee chair regularly reports on committee actions at board meetings.

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

Near-term compensation, paid in cash

Element	Purpose	Strategy	Terms
Base salary	Basic, least variable form of compensation	Pay below market median in order to weight total compensation to the performance-based elements described below in this chart.	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. Profit sharing is paid in addition to any performance bonus awarded for the year. For the last eleven years, the formula has been based on company-level annual operating profit margin. The formula was set by the TI board. The committee's practice has been not to adjust amounts earned under the formula.	Payable in a single cash payment shortly after the end of the performance year As in recent years, the formula for 2015 was: • Below 10% company-level annual operating profit as a percentage of revenue ("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 2015, TI delivered Margin of 32.9%. As a result, all eligible employees, including executive officers, received profit sharing of 17.9% of base salary.
Performance bonus	To motivate executives and reward them according to the company's relative and absolute performance and the executive's individual performance	Determined primarily on the basis of one-year and three-year company performance on certain measures (revenue growth percent, operating margin and total shareholder return[1]) as compared to	Determined by the committee and paid in a single payment after the performance year

[1] Total shareholder return refers to the percentage change in the value of a stockholder's investment in a company over the relevant time period, as determined by dividends paid and the change in the company's share price during the period. See pages 23-24.

PROXY STATEMENT

Element	Purpose	Strategy	Terms
		competitors and on our strategic progress in key markets and with customers. These factors have been chosen to reflect our near-term financial performance as well as our progress in building long-term shareholder value. The committee aims to pay total cash compensation (base salary, profit sharing and bonus) appropriately above median if company performance is above that of competitors, and pay total cash compensation appropriately below the median if company performance is below competitors. The committee does not rely on formulas or performance targets or thresholds. Instead it uses its judgment based on its assessment of the factors described above.	
Long-term compensation, awarded in equity			
Stock options and restricted stock units	Alignment with shareholders; long-term focus; retention, particularly with respect to restricted stock units	We grant a combination of nonqualified stock options and restricted stock units, generally targeted at the median level of equity compensation awarded to executives in similar positions within the Comparator Group.	The terms and conditions of stock options and restricted stock units are summarized on pages 32-33. The committee's grant procedures are described on page 25.

Comparator group

The Compensation Committee considers the market level of compensation when setting the salary, bonuses and equity compensation of the executive officers. The committee targets salary below market median in order to weight total compensation to performance-based elements. To estimate the market level of pay, the committee uses information provided by its compensation consultant and TI's Compensation and Benefits organization about compensation paid to executives in similar positions at a peer group of companies (the "Comparator Group").

The committee sets the Comparator Group. In general, the Comparator Group companies (1) are U.S.-based, (2) engage in the semiconductor business or other electronics or information technology activities, (3) have executive positions comparable in complexity to those of TI and (4) use forms of executive compensation comparable to TI's.

Shown in the table below is the Comparator Group used for the compensation decisions for 2015.

Analog Devices, Inc.	Intel Corporation
Applied Materials, Inc.	Motorola Solutions, Inc.
Broadcom Corporation	QUALCOMM Incorporated
Computer Sciences Corporation	Seagate Technology
eBay Inc.	TE Connectivity Ltd.
EMC Corporation	Western Digital Corporation
Emerson Electric Co.	Xerox Corporation

The committee set the Comparator Group in July 2014 for the base salary and equity compensation decisions it made in January 2015. For a discussion of the factors considered by the committee in setting the Comparator Group, please see pages 88-89 of the company's 2015 proxy statement.

In July 2015, the committee conducted its regular review of the Comparator Group in terms of industry, revenue and market capitalization. With the advice of its compensation consultant, the committee decided to make no change to the group. Accordingly, it used the same Comparator Group for the bonus decisions in January 2016 relating to 2015 performance as it used to set salary and equity compensation in January 2015. The table below compares the group to TI in terms of revenue and market capitalization.

Company	Revenue ($ billion)*	Market Cap ($ billion)*
Intel Corporation	55.4	162.6
EMC Corporation	24.7	49.8
QUALCOMM Corporation	24.0	75.1
Emerson Electric Co.	22.3	31.2
Xerox Corporation	17.4	10.8
Western Digital Corporation	14.0	13.9
Seagate Technology	12.9	10.9
TE Connectivity Ltd.	11.6	25.0
Applied Materials, Inc.	9.7	21.5
Computer Sciences Corporation	9.3	4.5
eBay Inc.	8.6	33.0
Broadcom Corporation	8.5	35.2
Motorola Solutions, Inc.	5.8	12.1
Analog Devices, Inc.	3.4	17.3
Median	12.2	23.2
Texas Instruments Incorporated	13.0	55.4

* Trailing four-quarter revenue is as reported by Thomson Reuters on February 1, 2016. Market capitalization is as of December 31, 2015, as reported by Thomson Reuters.

Analysis of compensation determinations for 2015

Total compensation

Before finalizing the compensation of the executive officers, the committee reviewed all elements of compensation. The information included total cash compensation (salary, profit sharing and projected bonus), the grant date fair value of equity compensation, the impact that proposed compensation would have on other compensation elements such as pension, and a summary of benefits that the executives would receive under various termination scenarios. The review enabled the committee to see how various compensation elements relate to one another and what impact its decisions would have on the total earnings opportunity of the executives. In assessing the information, the committee did not target a specific level of total compensation or use a formula to allocate compensation among the various elements. Instead, it used its judgment in assessing whether the total was consistent with the objectives of the program. Based on this review, the committee determined that the level of compensation was appropriate.

Base salary

The committee set the 2015 rate of base salary for the named executive officers as follows:

Officer	2015 Annual Rate	Change from 2014 Annual Rate
R. K. Templeton	$ 1,143,000	3.0%
K. P. March	$ 649,000	3.0%
B. T. Crutcher	$ 800,000	3.2%*
S. A. Anderson	$ 600,000	9.1%*
K. J. Ritchie	$ 670,000	3.1%

* 2014 annual rate for Mr. Crutcher and Mr. Anderson includes salary increase approved in June 2014.

The committee set the 2015 base-salary rate for each of the named executive officers in January 2015. In keeping with its strategy, the committee set the annual base-salary rates to be below the estimated median level of salaries expected to be paid to similarly situated executives (considering job scope and tenure) of companies within the Comparator Group in 2015.

The salary differences between the named executive officers were driven primarily by the market rate of pay for each officer, and not the application of a formula designed to maintain a differential between the officers.

Equity compensation

In 2015, the committee awarded equity compensation to each of the named executive officers. The grants are shown in the grants of plan-based awards in 2015 table on page 30. The grant date fair value of the awards is reflected in that table and in the "Stock Awards" and "Option Awards" columns of the summary compensation table on page 28. The table below is provided to assist the reader in comparing the grant date fair values and number of shares for each of the years shown in the summary compensation table.

Officer	Year	Grant Date Fair Value*	Stock Options (In Shares)	Restricted Stock Units (In Shares)
R. K. Templeton	2015	$ 9,800,023	516,440	90,842
	2014	$ 9,800,034	602,692	111,137
	2013	$ 9,299,374	525,000	175,000
K. P. March	2015	$ 2,700,017	142,285	25,028
	2014	$ 2,700,039	166,048	30,620
	2013	$ 2,656,964	150,000	50,000
B. T. Crutcher	2015	$ 5,500,029	289,839	50,983
	2014	$ 4,500,008	276,747	51,032
	2013	$ 3,985,446	225,000	75,000
S. A. Anderson	2015	$ 3,800,037	200,252	35,225
	2014	$ 2,700,039	166,048	30,620
		$ 2,000,003**	—	41,745**
K. J. Ritchie	2015	$ 4,000,045	210,792	37,079
	2014	$ 4,000,015	245,997	45,362
	2013	$ 3,542,630	200,000	66,667

* See notes 2 and 3 to the summary compensation table on page 28 for information on how grant date fair value was calculated.

** Retention grant made in June 2014, when Mr. Anderson assumed new responsibilities.

In January 2015, the committee awarded equity compensation to each of the named executive officers. The committee's objective was to award to those officers equity compensation that had a grant date fair value at approximately the median market level, in this case the 40th to 60th percentile of the 3-year average of equity compensation (including an estimate of amounts for 2015) granted by the Comparator Group.

In assessing the market level, the committee considered information presented by TI's Compensation and Benefits organization (prepared using data provided by the committee's compensation consultant) on the estimated value of the awards expected to be granted to similarly situated executives (considering job scope and tenure) of companies within the Comparator Group. The award value was estimated using the same methodology used for financial accounting.

For each officer, the committee set the desired grant value. The committee decided to allocate the value equally between restricted stock units and options for each officer, to give equal emphasis to promoting retention, motivating the executive and aligning his interests with those of shareholders.

Before approving the grants, the committee reviewed the amount of unvested equity compensation held by the officers to assess its retention value. In making this assessment, the committee used its judgment and did not apply any formula, threshold or maximum. This review did not result in an increase or decrease of the awards.

The exercise price of the options was the closing price of TI stock on January 28, 2015, the second trading day after the company released its annual and fourth quarter financial results for 2014. All grants were made under the Texas Instruments 2009 Long-Term Incentive Plan, which shareholders approved in April 2009.

All grants have the terms described on pages 32-33. The differences in the equity awards between the named executive officers were primarily the result of differences in the applicable estimated market level of equity compensation for their positions, and not the application of any formula designed to maintain differentials between the officers.

Bonus

In January 2016, the committee set the 2015 bonus compensation for executive officers based on its assessment of 2015 performance. In setting the bonuses, 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,
  - operating profit 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 customers.

One-year relative performance on the three measures and one-year strategic progress were the primary considerations in the committee's assessment of the company's 2015 performance. In assessing performance, the committee did not use formulas, thresholds or multiples. Because market conditions can quickly change in our industry, thresholds established at the beginning of a year could prove irrelevant by year-end. The committee believes its approach, which assesses the company's relative performance in hindsight after year-end, gives it the insight to most effectively and critically judge results and encourages executives to pursue strategies that serve the long-term interests of the company and its shareholders.

In the comparison of relative performance, the committee used the following companies (the "competitor companies"):[2]

Advanced Micro Devices, Inc.
Analog Devices, Inc.
Atmel Corporation
Avago Technologies Limited
Broadcom Corporation
Fairchild Semiconductor International, Inc.
Infineon Technologies AG
Intel Corporation
Intersil Corporation
Linear Technology Corporation
Marvell Technology Group Ltd.
Maxim Integrated Products, Inc.
Microchip Technology Incorporated
NVIDIA Corporation
NXP Semiconductors N.V.
ON Semiconductor Corporation
QUALCOMM Incorporated
STMicroelectronics N.V.
Xilinx, Inc.

This list includes both broad-based and niche suppliers that operate in our key markets or offer technology that competes with our products. The committee considers annually whether the list is still appropriate in terms of revenue, market capitalization and changes in business activities of the companies. In July 2015, the committee added Avago Technologies Limited to increase the overall comparability of the group to TI. In December 2015, Altera Corporation and Freescale Semiconductor, Ltd. were acquired by other companies and accordingly were removed from the list. The committee made no other change to the list of competitor companies in 2015.

Assessment of 2015 performance

The committee spent extensive time in December and January assessing TI's results and strategic progress for 2015. In setting bonuses, the committee considered quantitative and qualitative measures on both an absolute and relative basis, and it applied judgment. On an absolute basis most measures were positive, and in relative comparisons with competitors most measures were as good as or better than the median. In aggregate, the committee determined that performance in 2015 was strong and on par with the prior year, which also was strong. Therefore, the committee held bonuses for 2015 performance to the same levels they were in 2014 for named executive officers, except for two individuals whose bonuses increased because 2015 was their first full year in current positions. Details on the committee's assessment are below.

Revenue and margin

- *Annual performance*
  - TI's revenue decline of 0.3 percent was consistent with the median growth rate as compared with competitor companies.

[2] 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 2015.

Revenues for the company's core businesses of Analog and Embedded Processing were up 2.9 percent and 1.7 percent, respectively. Analog and Embedded Processing each gained share, as they have for six consecutive years.
    - Operating profit margin was 32.9 percent, which was above both the median comparison with competitors and the prior year's margin.

- *Three-year performance*
    - Compound annual revenue growth for 2013-2015 was 0.5 percent, which was below the median competitor comparison.
    - Average operating profit for 2013-2015 was 28.9 percent, which was above the median competitor comparison.

Total shareholder return (TSR)

- TSR was 5.2 percent, consistent with the median TSR as compared with competitor companies.
- The company again generated strong cash, with free cash flow at 28.6 percent of revenue.[3] More than 100 percent of free cash flow was returned to shareholders in 2015 through share repurchases and dividends. Share repurchases of $2.7 billion reduced outstanding shares by 3.4 percent (net of stock issuances during the year). The quarterly dividend rate increased 11.8 percent (the 14th increase in the last 12 years). Share repurchases and dividend increases are important elements of TI's capital management strategy.
- The balance sheet remained robust, ending the year with cash and short-term investments of $3.2 billion.
- The three-year compound annual growth rate for TSR was 24.4 percent, which was above the median competitor comparison.

Strategic progress

- The company's strategic focus on Analog and Embedded Processing semiconductors continues to provide the foundation for strong results in the near and long terms. These core businesses serve highly diverse markets with thousands of applications and have dependable long-term growth opportunities. In 2015, 86 percent of TI's revenue came from Analog and Embedded Processing semiconductors, up from 83 percent in the prior year.
- Over the past several years, TI's revenue has come from a more diverse base of applications and customers. In 2015, TI's revenue from automotive applications increased by two points, and its revenue percentage from industrial applications held consistent after several years of steady increases. Overall, diversity in applications and customers provides for better stability because success is not dependent on a single market or buyer.
- TI's in-house capability to produce high volumes of Analog semiconductors on 300-millimeter wafers remains a competitive advantage. In 2015, the company increased production on 300-millimeter wafers, which enabled more chips to be produced per wafer, thereby improving margins and cash generation. Additionally, TI continues to leverage existing facilities, along with equipment that has been strategically acquired at low price points, to enable the company to increase production levels yet keep capital spending at about 4 percent of revenue.
- In total, the committee determined that TI's strategic position was strengthened by management's decisions and actions in 2015, noting sustainable advantages in the company's manufacturing and technology, the breadth and differentiation of its product portfolio, and the diversity of its markets and customers.

Performance summary

	1-Year	3-Year
Revenue growth: total TI	-0.3%	0.5% CAGR
Operating margin	32.9%	28.9% average
Free cash flow as % of revenue	28.6%	26.7% average
% of free cash flow returned to shareholders	112.6%	121.4% average
Increase in quarterly dividend rate	11.8%	81.0%
Total shareholder return (TSR)	5.2%	24.4% CAGR

CAGR (compound annual growth rate) is calculated using the formula (Ending Value/Beginning Value)$^{1/\text{number of years}}$-1.

One-year TSR % = (adjusted closing price of the company's stock at year-end 2015, divided by 2014 year-end adjusted closing price) minus 1. The adjusted closing price is as shown under Historical Prices for the company's stock on Yahoo Finance and reflects stock splits and reinvestment of dividends.

[3] Free cash flow was calculated by subtracting Capital expenditures from the GAAP-based Cash flows from operating activities. For a reconciliation to GAAP, see Appendix A to this proxy statement.

Three-year TSR CAGR % = (adjusted closing price of the company's stock at year-end 2015, divided by 2012 year-end adjusted closing price)$^{1/3}$ minus 1. Adjusted closing price is as described above.

Before setting the bonuses for the named executive officers, the committee considered the officers' individual performance. The performance of the CEO was judged according to the performance of the company. For the other officers, the committee 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. Crutcher is responsible for all of the company's product lines and sales activities. The committee noted the financial performance and strategic position of the product lines and activities for which he is responsible.

Mr. Anderson is responsible for the company's analog semiconductor product lines. The committee noted the financial performance and strategic position of the product lines for which he is responsible.

Mr. Ritchie is responsible for the company's semiconductor manufacturing operations. The committee noted the performance of those operations, including their cost-competitiveness and inventory management.

The bonuses awarded for 2015 performance are shown in the table below. The differences in the amounts awarded to the 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 at companies within the Comparator Group. The bonus of each named executive officer was paid under the Executive Officer Performance Plan described on pages 28 and 30.

Results of the compensation decisions

Results of the compensation decisions made by the committee relating to the named executive officers for 2015 are summarized in the following table. This table is provided as a supplement to the summary compensation table on page 28 for investors who may find it useful to see the 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 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 4 below.[4]

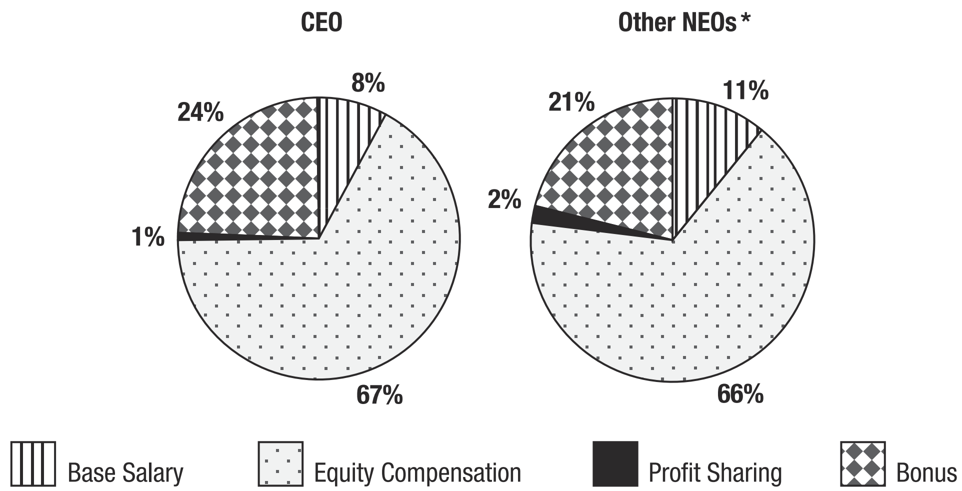
Officer	Year	Salary (Annual Rate)	Profit Sharing	Bonus	Equity Compensation (Grant Date Fair Value)	Total
R. K. Templeton	2015	$ 1,143,000	$ 203,877	$ 3,450,000	$ 9,800,023	$ 14,596,900
	2014	$ 1,110,000	$ 168,941	$ 3,450,000	$ 9,800,034	$ 14,528,975
	2013	$ 1,075,000	$ 92,199	$ 3,000,000	$ 9,299,374	$ 13,466,573
K. P. March	2015	$ 649,000	$ 115,758	$ 1,110,000	$ 2,700,017	$ 4,574,775
	2014	$ 630,000	$ 95,884	$ 1,110,000	$ 2,700,039	$ 4,535,923
	2013	$ 610,000	$ 52,317	$ 965,000	$ 2,656,964	$ 4,284,281
B. T. Crutcher	2015	$ 800,000	$ 142,668	$ 1,750,000	$ 5,500,029	$ 8,192,697
	2014	$ 775,000*	$ 112,860	$ 1,510,000	$ 4,500,008	$ 6,897,868
	2013	$ 675,000	$ 57,728	$ 1,210,000	$ 3,985,446	$ 5,928,174
S. A. Anderson	2015	$ 600,000	$ 106,535	$ 1,000,000	$ 3,800,037	$ 5,506,572
	2014	$ 550,000*	$ 77,635	$ 925,000	$ 4,700,042	$ 6,252,677
K. J. Ritchie	2015	$ 670,000	$ 119,498	$ 1,265,000	$ 4,000,045	$ 6,054,543
	2014	$ 650,000	$ 98,872	$ 1,265,000	$ 4,000,015	$ 6,013,887
	2013	$ 625,000	$ 53,571	$ 1,100,000	$ 3,542,630	$ 5,321,201

* Annual rate effective July 2014.

4 This table shows the annual rate of base salary as set by the committee. 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. Please see notes 2 and 3 to the summary compensation table for information about how grant date fair value was calculated.

For Mr. Crutcher, the "Total" for 2015 was higher than for 2014 primarily due to the higher grant date fair value of his equity compensation in 2015, the first full year in which he was in his current position. For Mr. Anderson, the "Total" for 2015 was lower than for 2014 due to the lower value of his equity compensation as compared to 2014, when he received a retention grant upon assuming his current position. For the other officers, including Mr. Templeton, the "Total" for 2015 was essentially unchanged from 2014, as the bonus for 2015 and the value of 2015 equity compensation granted to each of them were held flat.

The compensation decisions shown above resulted in the following 2015 compensation mix for the named executive officers:



* Average data for the named executive officers other than Mr. Templeton.

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 in 2015 resulted in 1.3 percent net annual dilution.

Process for equity grants

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.

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.

If the committee meeting falls in the same month as the release of the company's financial results, the committee's practice is to make grants effective (i) after the results have been released or (ii) on the meeting day if later. In other months, its practice is to make them effective on the day of committee action. The exercise price of stock options is the closing price of TI stock on the effective date of the grant.

Recoupment policy

The committee has a policy concerning recoupment ("clawback") of executive bonuses and equity compensation. Under the policy, in the event of a material restatement of TI's financial results due to misconduct, the committee will review the facts and circumstances and take the actions it considers appropriate with respect to the compensation of any executive officer whose fraud or willful misconduct contributed to the need for such restatement. Such action may include (a) seeking reimbursement of any bonus paid to such officer exceeding the amount that, in the judgment of the committee, would have been paid had the financial results been properly reported and (b) seeking to recover profits received by such officer during the twelve months after the restated period under equity compensation awards. All determinations by the committee with respect to this policy are final and binding on all interested parties.

Most recent stockholder advisory vote on executive compensation

In April 2015, our shareholders cast an advisory vote on the company's executive compensation decisions and policies as disclosed in the proxy statement issued by the company in March 2015. Approximately 96 percent of the shares voted on the matter were cast in support of the compensation decisions and policies as disclosed. The committee considered this result and determined that it was not necessary at this time to make any material changes to the company's compensation policies and practices in response to the advisory vote.

Benefits

Retirement plans

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 plan benefits frozen (i.e., no benefit increase attributable to years of service or change in eligible earnings) and begin participating in an enhanced defined contribution plan. Mr. Templeton and Mr. Crutcher chose not to remain in the defined benefit plan. As a result, their benefits under that plan were frozen in 1997 and they participate in the enhanced defined contribution plan. Mr. Anderson, who joined the company in 1999, 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 non-qualified defined benefit pension plans for participants in the qualified pension plan. Under the non-qualified plans, participants receive benefits that would ordinarily be paid under the qualified pension plan but for the limitations under the IRC. For additional information about the defined benefit plans, please see pages 34-36.

Employees accruing benefits in the qualified pension plan, including the named executive officers other than Mr. Templeton, Mr. Crutcher and Mr. Anderson, also are eligible to participate in a qualified defined contribution plan that provides employer matching contributions. The enhanced defined contribution plan, in which Mr. Templeton, Mr. Crutcher and Mr. Anderson participate, provides for a fixed employer contribution plus an employer matching contribution.

In general, if an employee who participates in the pension plan (including an employee whose benefits are frozen as described above) dies after having met the requirements for normal or early retirement, his or her beneficiary will receive a benefit equal to the lump-sum amount that the participant would have received if he or she had retired before death. Having already reached the age of 55 and at least 20 years of employment, Mr. Templeton, Mr. March and Mr. Ritchie are eligible for early retirement under the pension plans.

Because benefits under the qualified and non-qualified defined benefit pension plans are calculated on the basis of eligible earnings (salary and bonus), an increase in salary or bonus may result in an increase in benefits under the plans. Salary or bonus increases for Mr. Templeton and Mr. Crutcher do not result in greater benefits for them under the company's defined benefit pension plans because their benefits under those plans were frozen in 1997. Mr. Anderson does not participate in the company's defined benefit pension plans. The committee considers the potential effect on the executives' retirement benefits when it sets salary and performance bonus levels.

Deferred compensation

Any U.S. employee whose base salary and management responsibility exceed a certain level may defer the receipt of a portion of his or her salary, bonus and profit sharing. Rules of the U.S. Department of Labor require that this plan be limited to a select group of management or highly compensated employees. The plan allows employees to defer the receipt of their compensation in a tax-efficient manner. Eligible employees include, but are not limited to, the executive officers. We have the plan to be competitive with the benefits packages offered by other companies.

The executive officers' deferred compensation account balances are unsecured and all amounts remain part of the company's operating assets. The value of the deferred amounts tracks the performance of investment alternatives selected by the participant. These alternatives are a subset of those offered to participants in the defined contribution plans described above. The company does not guarantee any minimum return on the amounts deferred. In accordance with SEC rules, no earnings on deferred compensation are shown in the summary compensation table on page 28 for 2015 because no "above market" rates were earned on deferred amounts in that year.

Employee stock purchase plan
We have an employee stock purchase plan. Under the plan, which our shareholders approved, all employees in the U.S. and certain other countries may purchase a limited number of shares of the company's common stock at a 15 percent discount. The plan is designed to offer the broad-based employee population an opportunity to acquire an equity interest in the company and thereby align their interests with those of shareholders. Consistent with our general approach to benefit programs, executive officers are also eligible to participate.

Health-related benefits
Executive officers are eligible under the same plans as all other U.S. employees for medical, dental, vision, disability and life insurance. These benefits are intended to be competitive with benefits offered in the semiconductor industry.

Other benefits
Executive officers receive only a few benefits that are not available to all other U.S. employees. The CEO is eligible for a company-paid physical and financial counseling. In addition, the board of directors has determined that for security reasons, it is in the company's interest to require the CEO to use company aircraft for personal air travel. Please see pages 29 (footnote 6) and 38 for further details. The company provides no tax gross-ups for perquisites to any of the executive officers.

Compensation following employment termination or change in control

None of the executive officers has an employment contract. Executive officers are eligible for benefits on the same terms as other U.S. employees upon termination of employment or a change in control of the company. The current programs are described under the heading Potential payments upon termination or change in control beginning on page 37. None of the few additional benefits that the executive officers receive continue after termination of employment, except the amount for financial counseling is provided in the following year in the event of retirement. The committee reviews the potential impact of these programs before finalizing the annual compensation for the named executive officers. The committee did not raise or lower compensation for 2015 based on this review.

The Texas Instruments 2009 Long-Term Incentive Plan generally establishes double-trigger change-in-control terms for grants made in 2010 and later years. Under those terms, options become fully exercisable and shares are issued under restricted stock unit awards (to the extent permitted by Section 409A of the IRC) if the grantee is involuntarily terminated within 24 months after a change in control of TI. These terms are intended to encourage employees to remain with the company through a transaction while reducing employee uncertainty and distraction in the period leading up to any such event.

Stock ownership guidelines and policy against hedging

Our board of directors has established stock ownership guidelines for executive officers. The guideline for the CEO is four times base salary or 125,000 shares, whichever is less. The guideline for other executive officers is three times base salary or 25,000 shares, whichever is less. Executive officers have five years from their election as executive officers to reach these targets. Directly owned shares and restricted stock units count toward satisfying the guidelines.

Short sales of TI stock by our executive officers are prohibited. It is against TI policy for any employee, including an executive officer, to engage in trading in "puts" (options to sell at a fixed price), "calls" (similar options to buy), or other options or hedging techniques on TI stock.

Consideration of tax and accounting treatment of compensation

Section 162(m) of the IRC generally denies a deduction to any publicly held corporation for compensation paid in a taxable year to the company's CEO and three other highest compensated officers excluding the CFO, to the extent that the officer's compensation (other than qualified performance-based compensation) exceeds $1 million. The Compensation Committee considers the impact of this deductibility limit on the compensation that it intends to award. The committee exercises its discretion to award compensation that does not meet the requirements of Section 162(m) when applying the limits of Section 162(m) would frustrate or be inconsistent with our compensation policies and/or when the value of the foregone deduction would not be material. The committee has exercised this discretion when awarding restricted stock units that vest over time, without performance conditions to vesting. The committee believes it is in the best interest of the company and our shareholders that restricted stock unit awards provide for the retention of our executive officers in all market conditions.

The Texas Instruments Executive Officer Performance Plan is intended to ensure that performance bonuses under the plan are fully tax deductible under Section 162(m). The plan, which shareholders approved in 2002, is further described on page 30. The committee's general policy is to award bonuses within the plan, although the committee reserves the discretion to pay a bonus outside the plan if it determines that it is in the best interest of the company and our shareholders to do so. The committee set the bonuses of the named executive officers for 2015 performance at the levels described on pages 22 and 24. The bonuses were awarded within the plan.

When setting equity compensation, the committee considers the cost for financial reporting purposes of equity compensation it intends to grant. Its consideration of the cost of grants made in 2015 is discussed on page 21.

Compensation Committee report

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

The committee has reviewed and discussed the Compensation Discussion and Analysis (CD&A) with the company's management. Based on that review and discussion, the committee has recommended to the board of directors that the CD&A be included in the company's annual report on Form 10-K for 2015 and the company's proxy statement for the 2016 annual meeting of stockholders.

Robert E. Sanchez, Chair   Daniel A. Carp   Pamela H. Patsley   Christine Todd Whitman

2015 summary compensation table

The table below shows the compensation of the company's CEO, CFO and each of the other three most highly compensated individuals who were executive officers during 2015 (collectively called the "named executive officers") for services in all capacities to the company in 2015. For a discussion of the amount of a named executive officer's salary and bonus in proportion to his total compensation, please see the CD&A on pages 16-28.

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (5)	All Other Compensation ($) (6)	Total ($)
Richard K. Templeton	2015	$ 1,140,250	—	$ 4,900,017	$ 4,900,006	$ 3,653,877	$ 13,950	$ 317,702	$ 14,925,802
Chairman, President	2014	$ 1,107,083	—	$ 4,900,030	$ 4,900,004	$ 3,618,941	$ 199,552	$ 318,084	$ 15,043,694
& Chief Executive Officer	2013	$ 1,072,083	—	$ 5,740,000	$ 3,559,374	$ 3,092,199	—	$ 249,203	$ 13,712,859
Kevin P. March	2015	$ 647,417	—	$ 1,350,010	$ 1,350,007	$ 1,225,758	$ 872,191	$ 23,837	$ 5,469,220
Senior Vice President	2014	$ 628,333	—	$ 1,350,036	$ 1,350,003	$ 1,205,884	$ 1,621,825	$ 20,509	$ 6,176,590
& Chief Financial Officer	2013	$ 608,333	—	$ 1,640,000	$ 1,016,964	$ 1,017,317	—	$ 8,243	$ 4,290,857
Brian T. Crutcher	2015	$ 797,917	—	$ 2,750,023	$ 2,750,006	$ 1,892,668	$ —	$ 125,744	$ 8,316,358
Executive Vice President	2014	$ 739,583	—	$ 2,250,001	$ 2,250,007	$ 1,622,860	$ 1,112	$ 110,688	$ 6,974,251
	2013	$ 671,250	—	$ 2,460,000	$ 1,525,446	$ 1,267,728	—	$ 106,655	$ 6,031,079
Stephen A. Anderson	2015	$ 595,833	—	$ 1,900,037	$ 1,900,000	$ 1,106,535	—	$ 86,566	$ 5,588,971
Senior Vice President	2014	$ 508,750	—	$ 3,350,039	$ 1,350,003	$ 1,002,635	—	$ 74,202	$ 6,285,629
Kevin J. Ritchie	2015	$ 668,333	—	$ 2,000,041	$ 2,000,004	$ 1,384,498	$ 1,370,848	$ 5,300	$ 7,429,024
Senior Vice President	2014	$ 647,917	—	$ 2,000,011	$ 2,000,004	$ 1,363,872	$ 2,146,473	$ 5,200	$ 8,163,477
	2013	$ 622,917	—	$ 2,186,678	$ 1,355,952	$ 1,153,571	—	$ 7,427	$ 5,326,545

(1) Performance bonuses for 2015 were paid under the Texas Instruments Executive Officer Performance Plan. In accordance with SEC requirements, these amounts are reported in the Non-Equity Incentive Plan Compensation column.

(2) Shown is the aggregate grant date fair value of restricted stock unit (RSU) awards calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2015 appears in Note 4 to the Financial Statements in TI's annual report on Form 10-K for the year ended December 31, 2015. For a description of the grant terms, please see pages 32-33. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2014 and 2013 appears in Note 5 in Exhibit 13 to, respectively, TI's annual report on Form 10-K for the year ended December 31, 2014, and TI's annual report on Form 10-K for the year ended December 31, 2013.

(3) Shown is the aggregate grant date fair value of options calculated in accordance with ASC 718. The discussion of the assumptions used for purposes of the valuation of options granted in 2015 appears in Note 4 to the Financial Statements in TI's annual report on Form 10-K for the year ended December 31, 2015. For a description of the grant terms, please see page 32. The discussion of the assumptions used for purposes of the valuation of the awards granted in 2014 and 2013 appears in Note 5 in Exhibit 13 to, respectively, TI's annual report on Form 10-K for the year ended December 31, 2014, and TI's annual report on Form 10-K for the year ended December 31, 2013.

(4) Consists of performance bonus and profit sharing for 2015. Please see page 24 for the amounts of bonus and profit sharing paid to each of the named executive officers for 2015.

(5) The company does not pay above-market earnings on deferred compensation. Therefore, no amounts are reported in this column for deferred compensation. The amounts in this column represent the change in the actuarial value of the named executive officers' benefits under the qualified defined benefit pension plan (TI Employees Pension Plan) and the non-qualified defined benefit pension plans (TI Employees Non-Qualified Pension Plan and TI Employees Non-Qualified Pension Plan II) from December 31, 2014, through December 31, 2015. This "change in the actuarial value" is the difference between the 2014 and 2015 present value of the pension benefit accumulated as of year-end by the named executive officer, assuming that benefit is not paid until age 65. Mr. Templeton's and Mr. Crutcher's benefits under the company's pension plans were frozen as of December 31, 1997. The value of Mr. Crutcher's account decreased by $162. In accordance with SEC rules, this amount has not been included in his total 2015 compensation shown in this table. Mr. Anderson does not participate in any of the company's defined benefit pension plans.

(6) Consists of (i) the amounts in the table below, which result from programs available to all eligible U.S. employees, and (ii) perquisites and personal benefits that meet the disclosure thresholds established by the SEC and are detailed in the paragraph below.

Name	401(k) Contribution	Defined Contribution Retirement Plan (a)	Unused Vacation Time (b)
R.K. Templeton	$ 10,600	$ 247,429	$ 45,467
K. P. March	$ 5,300	N/A	$ 18,537
B. T. Crutcher	$ 10,600	$ 115,144	—
S. A. Anderson	$ 10,600	$ 75,966	—
K. J. Ritchie	$ 5,300	N/A	—

(a) Consists of (i) contributions under the company's enhanced defined contribution retirement plan of $5,300 and (ii) an additional amount of $242,129 for Mr. Templeton, $109,844 for Mr. Crutcher, and $70,666 for Mr. Anderson accrued by TI to offset IRC limitations on amounts that could be contributed to the enhanced defined contribution retirement plan, which amount is also shown in the non-qualified deferred compensation table on page 36.

(b) Represents payments for unused vacation time that could not be carried forward.

The perquisites and personal benefits are as follows: $14,206 for Mr. Templeton, consisting of financial counseling, an executive physical and personal use of company aircraft. Financial counseling and an executive physical were made available to the other named executive officers, but the amounts attributable to those officers were below the disclosure thresholds.

Grants of plan-based awards in 2015

The following table shows the grants of plan-based awards to the named executive officers in 2015.

Name	Grant Date	Date of Committee Action	Estimated Possible Payouts under Non-Equity Incentive Plan Awards Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#) (2)	All Other Option Awards: Number of Securities Underlying Options (#) (3)	Exercise or Base Price of Option Awards ($/Sh) (4)	Grant Date Fair Value of Stock and Option Awards (5)
R. K. Templeton . .	1/28/15 (1)	1/15/15	*	*	*	—	—	—		516,440	$ 53.94	$ 4,900,006
	1/28/15 (1)	1/15/15							90,842			$ 4,900,017
K. P. March	1/28/15 (1)	1/15/15	*	*	*	—	—	—		142,285	$ 53.94	$ 1,350,007
	1/28/15 (1)	1/15/15							25,028			$ 1,350,010
B. T. Crutcher	1/28/15 (1)	1/15/15	*	*	*	—	—	—		289,839	$ 53.94	$ 2,750,006
	1/28/15 (1)	1/15/15							50,983			$ 2,750,023
S. A. Anderson . . .	1/28/15 (1)	1/15/15	*	*	*	—	—	—		200,252	$ 53.94	$ 1,900,000
	1/28/15 (1)	1/15/15							35,225			$ 1,900,037
K. J. Ritchie	1/28/15 (1)	1/15/15	*	*	*	—	—	—		210,792	$ 53.94	$ 2,000,004
	1/28/15 (1)	1/15/15							37,079			$ 2,000,041

* TI did not use formulas or pre-set thresholds or multiples to determine incentive awards. Under the terms of the Executive Officer Performance Plan, each named executive officer is eligible to receive a cash bonus equal to 0.5 percent of the company's consolidated income (as defined in the plan). However, the Compensation Committee has the discretion to set bonuses at a lower level if it decides it is appropriate to do so. The committee decided to do so for 2015.

(1) In accordance with the grant policy of the Compensation Committee of the board (described on page 25), the grants became effective on the second trading day after the company released its financial results for the fourth quarter and year 2014. The company released these results on January 26, 2015.

(2) The stock awards granted to the named executive officers in 2015 were RSU awards. These awards were made under the company's 2009 Long-Term Incentive Plan. For information on the terms and conditions of these RSU awards, please see the discussion on pages 32-33.

(3) The options were granted under the company's 2009 Long-Term Incentive Plan. For information on the terms and conditions of these options, please see the discussion on page 32.

(4) The exercise price of the options is the closing price of TI common stock on January 28, 2015.

(5) Shown is the aggregate grant date fair value computed in accordance with ASC 718 for stock and option awards in 2015. The discussion of the assumptions used for purposes of the valuation appears in Note 4 to the Financial Statements in TI's annual report on Form 10-K for the year ended December 31, 2015.

None of the options or other equity awards granted to the named executive officers was repriced or modified by the company.

For additional information regarding TI's equity compensation grant practices, please see pages 19, 21, 25-26, 27-28 and 32-33.

Outstanding equity awards at fiscal year-end 2015

The following table shows the outstanding equity awards for each of the named executive officers as of December 31, 2015.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($) (1)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
R. K. Templeton . .	—	516,440 (2)	—	$ 53.94	1/28/2025	90,842 (6)	$ 4,979,050	—	—
	150,673	452,019 (3)	—	$ 44.09	1/23/2024	111,137 (7)	$ 6,091,419	—	—
	262,500	262,500 (4)	—	$ 32.80	1/25/2023	175,000 (8)	$ 9,591,750	—	—
	356,250	118,750 (5)	—	$ 32.36	1/26/2022	158,334 (9)	$ 8,678,287	—	—
	450,000	—	—	$ 34.63	1/27/2021	—	—	—	—
	540,000	—	—	$ 23.05	1/28/2020	—	—	—	—
	664,461	—	—	$ 14.95	1/29/2019	—	—	—	—
	270,000	—	—	$ 29.79	1/25/2018	—	—	—	—
K. P. March	—	142,285 (2)	—	$ 53.94	1/28/2025	25,028 (6)	$ 1,371,785	—	—
	41,512	124,536 (3)	—	$ 44.09	1/23/2024	30,620 (7)	$ 1,678,282	—	—
	75,000	75,000 (4)	—	$ 32.80	1/25/2023	50,000 (8)	$ 2,740,500	—	—
	112,500	37,500 (5)	—	$ 32.36	1/26/2022	50,000 (9)	$ 2,740,500	—	—
	137,500	—	—	$ 34.63	1/27/2021			—	—
	107,500	—	—	$ 23.05	1/28/2020			—	—
B. T. Crutcher	—	289,839 (2)	—	$ 53.94	1/28/2025	50,983 (6)	$ 2,794,378	—	—
	69,186	207,561 (3)	—	$ 44.09	1/23/2024	51,032 (7)	$ 2,797,064	—	—
	—	112,500 (4)	—	$ 32.80	1/25/2023	75,000 (8)	$ 4,110,750	—	—
	12,500	46,875 (5)	—	$ 32.36	1/26/2022	62,500 (9)	$ 3,425,625	—	—
						100,000 (10)	$ 5,481,000	—	—
S. A. Anderson . . .	—	200,252 (2)	—	$ 53.94	1/28/2025	35,225 (6)	$ 1,930,682	—	—
	41,512	124,536 (3)	—	$ 44.09	1/23/2024	30,620 (7)	$ 1,678,282	—	—
	68,750	68,750 (4)	—	$ 32.80	1/25/2023	45,834 (8)	$ 2,512,162	—	—
	103,125	34,375 (5)	—	$ 32.36	1/26/2022	45,834 (9)	$ 2,512,162	—	—
						41,745 (11)	$ 2,288,043	—	—
K. J. Ritchie	—	210,792 (2)	—	$ 53.94	1/28/2025	37,079 (6)	$ 2,032,300	—	—
	61,499	184,498 (3)	—	$ 44.09	1/23/2024	45,362 (7)	$ 2,486,291	—	—
	—	100,000 (4)	—	$ 32.80	1/25/2023	66,667 (8)	$ 3,654,018	—	—
	—	43,750 (5)	—	$ 32.36	1/26/2022	58,334 (9)	$ 3,197,287	—	—

(1) Calculated by multiplying the number of RSUs by the closing price of TI common stock on December 31, 2015 ($54.81).

(2) One-quarter of the shares became exercisable on January 28, 2016, and one-third of the remaining shares become exercisable on each of January 28, 2017, January 28, 2018, and January 28, 2019.

(3) One-third of the shares became exercisable on January 23, 2016, and one-half of the remaining shares become exercisable on each of January 23, 2017, and January 23, 2018.

(4) One-half of the shares became exercisable on January 25, 2016, and the remaining one-half become exercisable on January 25, 2017.

(5) Became fully exercisable on January 26, 2016.

(6) Vesting date is January 31, 2019.

(7) Vesting date is January 31, 2018.

(8) Vesting date is January 31, 2017.

(9) Vested on January 29, 2016.

(10) Vesting date is July 29, 2016.

(11) Vesting date is July 31, 2018.

The "Option Awards" shown in the table above are non-qualified stock options, each of which represents the right to purchase shares of TI common stock at the stated exercise price. The exercise price is the closing price of TI common stock on the grant date. The term of each option is ten years unless the option is terminated earlier pursuant to provisions summarized in the chart below and in the paragraph following the chart. Options vest (become exercisable) in increments of 25 percent per year beginning on the first anniversary of the date of the grant. The chart below shows the termination provisions relating to stock options outstanding as of December 31, 2015. The Compensation Committee of the board of directors established these termination provisions to promote employee retention while offering competitive terms.

Employment Termination Due to Death or Permanent Disability	Employment Termination (at Least 6 Months after Grant) When Retirement Eligible *	Employment Termination (at Least 6 Months after Grant) with 20 Years of Credited Service, but Not Retirement Eligible **	Employment Termination for Cause	Other Circumstances of Employment Termination
Vesting continues; option remains in effect to end of term	Vesting continues; option remains in effect to end of term	Option remains in effect to the end of the term; vesting does not continue after employment termination	Option cancels	Option remains exercisable for 30 days

* Defined for purposes of equity awards made after 2012 as at least age 55 with 10 or more years of TI service or at least age 65. For awards made before 2013, the definition of normal or early retirement eligibility in the relevant pension plan applies (see page 35).

** This provision is not applicable to grants made after 2012.

Options may be cancelled if, during the two years after employment termination, the grantee competes with TI or solicits TI employees to work for another company, or if the grantee discloses TI trade secrets. In addition, for options received while the grantee was an executive officer, the company may reclaim (or "claw back") profits earned under grants if the officer engages in such conduct. These provisions are intended to strengthen retention and provide a reasonable remedy to TI in case of competition, solicitation of our employees or disclosure of our confidential information.

Options granted after 2009 become fully vested if the grantee is involuntarily terminated from employment with TI (other than for cause) within 24 months after a change in control of TI. "Change in control" is defined as provided in the Texas Instruments 2009 Long-Term Incentive Plan and occurs upon (1) acquisition of more than 50 percent of the voting stock or at least 80 percent of the assets of TI or (2) change of a majority of the board of directors in a 12-month period unless a majority of the directors then in office endorsed the appointment or election of the new directors ("Plan definition"). These terms are intended to reduce employee uncertainty and distraction in the period leading up to a change in control, if such an event were to occur. For options granted before 2010, the stock option terms provide that upon a change in control of TI, the option becomes fully vested to the extent it is then outstanding; and if employment termination (except for cause) has occurred within 30 days before the change in control, the change in control is deemed to have occurred first. "Change in control" is defined in these pre-2010 options as (1) acquisition of 20 percent of TI common stock other than through a transaction approved by the board of directors, or (2) change of a majority of the board of directors in a 24-month period unless a majority of the directors then in office have elected or nominated the new directors (together, the "pre-2010 definition").

The "Stock Awards" in the table of outstanding equity awards at fiscal year-end 2015 are RSU awards. Each RSU represents the right to receive one share of TI common stock on a stated date (the "vesting date") unless the award is terminated earlier under terms summarized below. In general, the vesting date is approximately four years after the grant date. Each RSU includes the right to receive dividend equivalents, which are paid annually in cash at a rate equal to the amount paid to stockholders in dividends.

The table below shows the termination provisions of RSUs outstanding as of December 31, 2015.

Employment Termination Due to Death or Permanent Disability	Employment Termination (at Least 6 Months after Grant) When Retirement Eligible	Employment Termination for Cause	Other Circumstances of Employment Termination
Vesting continues; shares are paid at the scheduled vesting date	For grants made after 2012: Grant stays in effect and pays out shares at the scheduled vesting date For grants made before 2013: Grant stays in effect and pays out shares at the scheduled vesting date. Number of shares reduced according to the duration of employment over the vesting period*	Grant cancels; no shares are issued	Grant cancels; no shares are issued

* Calculated by multiplying the number of RSUs by a fraction equal to the number of whole 365-day periods from the grant date to the employment termination date (or first day of any bridge leave of absence leading to retirement), divided by the number of years in the vesting period.

These termination provisions are intended to promote retention. All RSU awards contain cancellation and clawback provisions like those described above for stock options. The terms provide that, to the extent permitted by Section 409A of the IRC, the award vests upon involuntary termination of TI employment within 24 months after a change in control. Change in control is the Plan definition. These cancellation, clawback and change-in-control terms are intended to conform RSU terms with those of stock options (to the extent permitted by the IRC) and to achieve the objectives described above in the discussion of stock options.

In addition to the "Stock Awards" shown in the outstanding equity awards at fiscal year-end 2015 table on page 31, Mr. Templeton holds an award of RSUs that was granted in 1995. The award, for 120,000 shares of TI common stock, vested in 2000. Under the award terms, the shares will be issued to Mr. Templeton in March of the year after his termination of employment for any reason. These terms were designed to provide a tax benefit to the company by postponing the related compensation expense until it was likely to be fully deductible. In accordance with SEC requirements, this award is reflected in the 2015 non-qualified deferred compensation table on page 36.

2015 option exercises and stock vested

The following table lists the number of shares acquired and the value realized as a result of option exercises by the named executive officers in 2015 and the value of any RSUs that vested in 2015. For option exercises, the value realized is calculated by multiplying the number of shares acquired by the difference between the exercise price and the market price of TI common stock on the exercise date. For RSUs, the value realized is calculated by multiplying the number of RSUs that vested by the market price of TI common stock on the vesting date.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
R. K. Templeton	620,000	$ 14,112,500	150,000	$ 8,200,500
K. P. March	—	$ —	45,834	$ 2,505,745
B. T. Crutcher	253,125	$ 5,715,775	54,167	$ 2,961,310
S. A. Anderson	125,000	$ 2,552,330	41,667	$ 2,277,935
K. J. Ritchie	134,375	$ 3,269,518	54,167	$ 2,961,310

2015 pension benefits

The following table shows the present value as of December 31, 2015, of the benefit of the named executive officers under our qualified defined benefit pension plan (TI Employees Pension Plan) and non-qualified defined benefit pension plans (TI Employees Non-Qualified Pension Plan (which governs amounts earned before 2005) and TI Employees Non-Qualified Pension Plan II (which governs amounts earned after 2004)). In accordance with SEC requirements, the amounts shown in the table do not reflect any named executive officer's retirement eligibility or any increase in benefits that may result from the named executive officer's continued employment after December 31, 2015.

Name (1)	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($) (6)	Payments During Last Fiscal Year ($)
R. K. Templeton (2)	TI Employees Pension Plan	16 (3)	$ 662,160	—
	TI Employees Non-Qualified Pension Plan	16 (3)	$ 289,171	—
	TI Employees Non-Qualified Pension Plan II	16 (5)	$ 199,375	—
K. P. March	TI Employees Pension Plan	30 (3)	$ 946,474	—
	TI Employees Non-Qualified Pension Plan	19 (4)	$ 178,569	—
	TI Employees Non-Qualified Pension Plan II	30 (5)	$ 5,557,022	—
B. T. Crutcher (2)	TI Employees Pension Plan	0.9 (3)	$ 4,059	—
K. J. Ritchie	TI Employees Pension Plan	36 (3)	$ 1,391,664	—
	TI Employees Non-Qualified Pension Plan	25 (4)	$ 532,589	—
	TI Employees Non-Qualified Pension Plan II	36 (5)	$ 7,444,716	—

(1) Mr. Anderson does not participate in any of the company's defined benefit pension plans because he joined TI after these plans were closed to new participants.

(2) In 1997, TI's U.S. employees were given the choice between continuing to participate in the defined benefit pension plans or participating in a new enhanced defined contribution retirement plan. Messrs. Templeton and Crutcher chose to participate in the defined contribution plan. Accordingly, their accrued pension benefits under the qualified and non-qualified plans were frozen (i.e., they will experience no increase attributable to years of service or change in eligible earnings) as of December 31, 1997. Contributions to the defined contribution plan for Mr. Templeton's and Mr. Crutcher's benefits are included in the 2015 summary compensation table.

(3) For each of the named executive officers, credited service began on the date the officer became eligible to participate in the plan. For Mr. Crutcher, eligibility to participate began on the first day of the month following completion of one year of employment. For each of the other named executive officers, eligibility to participate began on the earlier of 18 months of employment, or January 1 following the completion of one year of employment. Accordingly, each of the named executive officers has been employed by TI for longer than the years of credited service shown above.

(4) Credited service began on the date the named executive officer became eligible to participate in the TI Employees Pension Plan as described in note 3 above and ceased at December 31, 2004.

(5) Credited service began on the date the named executive officer became eligible to participate in the TI Employees Pension Plan as described in note 3 above.

(6) The assumptions and valuation methods used to calculate the present value of the accumulated pension benefits shown are the same as those used by TI for financial reporting purposes and are described in Note 10 to the financial statements contained in Item 8 in TI's annual report on Form 10-K for the year ended December 31, 2015, except that a named executive officer's retirement is assumed (in accordance with SEC rules) for purposes of this table to occur at age 65 and no assumption for termination prior to that date is used. The amount of the lump-sum benefit earned as of December 31, 2015, is determined using either (i) the Pension Benefit Guaranty Corporation (PBGC) interest assumption of 1.50 percent or (ii) the Pension Protection Act of 2006 (PPA) corporate bond yield interest assumption of 4.62 percent for the TI Employees Pension Plan and 4.64 percent for the TI Employees Non-Qualified Pension Plans, whichever rate produces the higher lump sum amount. A discount rate assumption of 4.62 percent for the TI Employees Pension Plan and 4.64 percent for the non-qualified pension plans was used to determine the present value of each lump sum.

TI Employees Pension Plan

The TI Employees Pension Plan is a qualified defined benefit pension plan. Please see page 26 for a discussion of the origin and purpose of the plan. Employees who joined the U.S. payroll after November 30, 1997, are not eligible to participate in this plan.

A plan participant is eligible for normal retirement under the terms of the plan if he is at least 65 years of age with one year of credited service. A participant is eligible for early retirement if he is at least 55 years of age with 20 years of employment or 60 years of age with five years of employment. As of December 31, 2015, Mr. Templeton, Mr. March and Mr. Ritchie were eligible for early or normal retirement.

A participant may request payment of his accrued benefit at termination or any time thereafter. Participants may choose a lump sum payment or one of six forms of annuity. In order of largest to smallest periodic payment, the forms of annuity are: (i) single life annuity, (ii) 5-year certain and life annuity, (iii) 10-year certain and life annuity, (iv) joint and 50 percent survivor annuity, (v) joint and 75 percent survivor annuity, and (vi) joint and 100 percent survivor annuity. If the participant does not request payment, he will begin to receive his benefit in April of the year after he reaches the age of 70½ in the form of annuity required under the IRC.

The pension formula for the qualified plan is intended to provide a participant with an annual retirement benefit equal to 1.5 percent multiplied by the product of (i) years of credited service and (ii) the average of the five highest consecutive years of his base salary plus bonus up to a limit imposed by the IRS, less a percentage (based on his year of birth, when he elects to retire and his years of service with TI) of the amount of compensation on which his Social Security benefit is based.

If an individual takes early retirement and chooses to begin receiving his annual retirement benefit at that time, such benefit is reduced by an early retirement factor. As a result, the annual benefit is lower than the one he would have received at age 65.

If the participant's employment terminates due to disability, the participant may choose to receive his accrued benefit at any time prior to age 65. Alternatively, the participant may choose to defer receipt of the accrued benefit until reaching age 65 and then take a disability benefit. The disability benefit paid at age 65 is based on salary and bonus, years of credited service the participant would have accrued to age 65 had he not become disabled and disabled status.

The benefit payable in the event of death is based on salary and bonus, years of credited service and age at the time of death, and may be in the form of a lump sum or annuity at the election of the beneficiary. The earliest date of payment is the first day of the second calendar month following the month of death.

Leaves of absence, including a bridge to retirement, are credited to years of service under the qualified pension plan. Please see the discussion of leaves of absence on page 38.

TI employees non-qualified pension plans

TI has two non-qualified pension plans: the TI Employees Non-Qualified Pension Plan (Plan I), which governs amounts earned before 2005; and the TI Employees Non-Qualified Pension Plan II (Plan II), which governs amounts earned after 2004. Each is a non-qualified defined benefit pension plan. Please see page 26 for a discussion of the purpose of the plans. As with the qualified defined benefit pension plan, employees who joined the U.S. payroll after November 30, 1997, are not eligible to participate in Plan I or Plan II. Eligibility for normal and early retirement under these plans is the same as under the qualified plan (please see above). Benefits are paid in a lump sum.

A participant's benefits under Plan I and Plan II are calculated using the same formula as described above for the TI Employees Pension Plan. However, the IRS limit on the amount of compensation on which a qualified pension benefit may be calculated does not apply. Additionally, the IRS limit on the amount of qualified benefit the participant may receive does not apply to these plans. Once this non-qualified benefit amount has been determined using the formula described above, the individual's qualified benefit is subtracted from it. The resulting difference is multiplied by an age-based factor to obtain the amount of the lump-sum benefit payable to an individual under the non-qualified plans.

Amounts under Plan I will be distributed when payment of the participant's benefit under the qualified pension plan commences. Amounts under Plan II will be distributed subject to the requirements of Section 409A of the IRC. Because the named executive officers are among the 50 most highly compensated officers of the company, Section 409A of the IRC requires that they not receive any lump sum distribution payment under Plan II before the first day of the seventh month following termination of employment.

If a participant terminates due to disability, amounts under Plan I will be distributed when payment of the participant's benefit under the qualified plan commences. For amounts under Plan II, distribution is governed by Section 409A of the IRC, and the disability benefit is reduced to reflect the payment of the benefit prior to age 65.

In the event of death, payment under both plans is based on salary and bonus, years of credited service and age at the time of death and will be in the form of a lump sum. The earliest date of payment is the first day of the second calendar month following the month of death.

Balances in the plans are unsecured obligations of the company. For amounts under Plan I, in the event of a change in control, the present value of the individual's benefit would be paid not later than the month following the month in which the change in control occurred. For such amounts, the pre-2010 definition of a change in control (please see page 32) applies. For all amounts accrued under this plan, if a sale of substantially all of the assets of the company occurred, the present value of the individual's benefit would be distributed in a lump sum as soon as reasonably practicable following the sale of assets. For amounts under Plan II, no distribution of benefits is triggered by a change in control.

Leaves of absence, including a bridge to retirement, are credited to years of service under the non-qualified pension plans. For a discussion of leaves of absence, please see page 38.

TI Employees Survivor Benefit Plan

TI's qualified and non-qualified pension plans provide that upon the death of a retirement-eligible employee, the employee's beneficiary receives a payment equal to half of the benefit to which the employee would have been entitled under the pension plans had he retired instead of died. We have a survivor benefit plan that pays the beneficiary a lump sum that, when added to the reduced amounts the beneficiary receives under the pension plans, equals the benefit the employee would have been entitled to receive had he retired instead of died. Because Messers. Templeton, March and Ritchie were eligible for early retirement in 2015, their beneficiaries would be eligible for benefits under the survivor benefit plan if they were to die.

2015 non-qualified deferred compensation

The following table shows contributions to the named executive officer's deferred compensation account in 2015 and the aggregate amount of his deferred compensation as of December 31, 2015.

Name	Executive Contributions in Last FY ($) (1)	Registrant Contributions in Last FY ($) (2)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($) (5)
R. K. Templeton	$ 173,595	$ 242,129	$ 312,573 (3)	$ 351,336 (4)	$ 7,598,617 (6)
K. P. March	—	—	—	—	—
B. T. Crutcher	$ 155,332	$ 109,844	$ (5,910)	—	$ 1,079,545
S. A. Anderson	$ 185,458	$ 70,666	$ (2,492)	$ 14,861	$ 674,674
K. J. Ritchie	—	—	—	—	—

(1) Amount shown for Mr. Templeton includes a portion of his salary and bonus paid in 2015; for Mr. Crutcher includes a portion of his salary, profit sharing and bonus, paid in 2015; and for Mr. Anderson includes a portion of his bonus paid in 2015.

(2) Company matching contributions pursuant to the defined contribution plan. These amounts are included in the All Other Compensation column of the 2015 summary compensation table on page 28.

(3) Consists of: (a) $168,000 in dividend equivalents paid under the 120,000-share 1995 RSU award discussed on page 33, settlement of which has been deferred until after termination of employment; (b) a $160,800 increase in the value of the RSU award (calculated by subtracting the value of the award at year-end 2014 from the value of the award at year-end 2015 (in both cases, the number of RSUs is multiplied by the closing price of TI common stock on the last trading date of the year)); and (c) a $16,227 loss in Mr. Templeton's deferred compensation account in 2015. Dividend equivalents are paid at the same rate as dividends on TI common stock.

(4) Consists of dividend equivalents paid on the RSU award discussed in note 3 and a scheduled distribution of a portion of Mr. Templeton's deferred compensation balance.

(5) Includes amounts reported in the summary compensation table in the current or prior-year proxy statements as follows: Mr. Templeton, $1,021,417; and Mr. Crutcher, $1,079,545; and Mr. Anderson $195,554. The remainder of the amount for Mr. Anderson relates to amounts earned in years for which he was not a named executive officer.

(6) Of this amount, $6,577,200 is attributable to Mr. Templeton's 1995 RSU award, calculated as described in note 3. The remainder is the balance of his deferred compensation account.

Please see page 26 for a discussion of the purpose of the plan. An employee's deferred compensation account contains eligible compensation the employee has elected to defer and contributions by the company that are in excess of the IRS limits on (i) contributions the company may make to the enhanced defined contribution plan and (ii) matching contributions the company may make related to compensation the executive officer deferred into his deferred compensation account.

Participants in the deferred compensation plan may choose to defer up to (i) 25 percent of their base salary, (ii) 90 percent of their performance bonus, and (iii) 90 percent of profit sharing. Elections to defer compensation must be made in the calendar year prior to the year in which the compensation will be earned.

During 2015, participants could choose to have their deferred compensation mirror the performance of one or more of the following mutual funds, each of which is managed by a third party (these alternatives, which may be changed at any time, are a subset of those offered to participants in the defined contribution plans): BlackRock MSCI ACWI ex-U.S. IMI Index Non-Lendable Fund F, Northern Trust Short Term Investment Fund, Northern Trust Aggregate Bond Index Fund-Lending, Northern Trust Russell 1000 Value Index Fund-Lending, Northern Trust Russell 1000 Growth Index Fund-Lending, Northern Trust Russell 2000 Index Fund-Lending, Northern Trust MidCap 400 Index Fund-Lending, Fidelity Puritan Fund, BlackRock Equity Index Fund F, BlackRock (EAFE) (Europe, Australia, Far East) Equity Index Fund F, BlackRock Lifepath Index 2020 Fund F, BlackRock Lifepath Index 2030 Fund F, BlackRock Lifepath Index 2040 Fund F, BlackRock Lifepath Index 2050 Fund F and BlackRock Lifepath Index Retirement Fund F. From among the available investment alternatives, participants may change their instructions relating to their deferred compensation daily. Earnings on a participant's balance are determined solely by the performance of the investments that the participant has chosen for his plan balance. The company does not guarantee any minimum return on investments. A third party administers the company's deferred compensation program.

A participant may request distribution from the plan in the case of an unforeseeable emergency. To obtain an unforeseeable emergency withdrawal, a participant must meet the requirements of Section 409A of the IRC. Otherwise, a participant's balance is paid pursuant to his distribution election and is subject to applicable IRC limitations.

Amounts contributed by the company, and amounts earned and deferred by the participant for which there is a valid distribution election on file, will be distributed in accordance with the participant's election. Annually participants may elect separate distribution dates for deferred compensation attributable to a participant's (i) bonus and profit sharing and (ii) salary. Participants may elect that these distributions be in the form of a lump sum or annual installments to be paid out over a period of five or ten consecutive years. Amounts for which no valid distribution election is on file will be distributed three years from the date of deferral.

In the event of the participant's death, payment will be in the form of a lump sum and the earliest date of payment is the first day of the second calendar month following the month of death.

Like the balances under the non-qualified defined benefit pension plans, deferred compensation balances are unsecured obligations of the company. For amounts earned and deferred prior to 2010, a change in control does not trigger a distribution under the plan. For amounts earned and deferred after 2009, distribution occurs, to the extent permitted by Section 409A of the IRC, if the participant is involuntarily terminated within 24 months after a change in control. Change in control is the Plan definition.

Potential payments upon termination or change in control

None of the named executive officers has an employment contract with the company. They are eligible for benefits on generally the same terms as other U.S. employees upon termination of employment or change in control of the company. TI does not reimburse executive officers for any income or excise taxes that are payable by the executive as a result of payments relating to termination or change in control.

Termination

The following programs may result in payments to a named executive officer whose employment terminates. Most of these programs have been discussed above. For a discussion of the impact of these programs on the compensation decisions for 2015, please see pages 20 and 27.

Bonus

Our policies concerning bonus and the timing of payments are described on pages 18-19. Whether a bonus would be awarded under other circumstances and in what amount would depend on the facts and circumstances of termination and is subject to the Compensation Committee's discretion. If awarded, bonuses are paid by the company.

Qualified and non-qualified defined benefit pension plans

The purposes of these plans are described on page 26. The formula for determining benefits, the forms of benefit and the timing of payments are described on pages 34-36. The amounts disbursed under the qualified and non-qualified plans are paid, respectively, by the TI Employees Pension Trust and the company.

Survivor benefit plan

The purpose of this plan is described on page 36. The formula for determining the amount of benefit, the form of benefit and the timing of payments are described on page 36. Amounts distributed are paid by the TI Employees Health Benefit Trust.

Deferred compensation plan

The purpose of this plan is described on page 26. The amounts payable under this program depend solely on the performance of investments that the participant has chosen for his plan balance. The timing of payments is discussed on page 37. Amounts distributed are paid by the company.

Equity compensation

Depending on the circumstances of termination, grantees whose employment terminates may retain the right to exercise previously granted stock options and receive shares under outstanding RSU awards. Please see pages 32-33. RSU awards include a right to receive dividend equivalents. The dividend equivalents are paid annually by the company in a single cash payment after the last dividend payment of the year.

Perquisites

Financial counseling is available to executive officers in the year after retirement. Otherwise, no perquisites continue after termination of employment.

In the case of a resignation pursuant to a separation arrangement, an executive officer (like other employees above a certain job grade level) will typically be offered a 12-month paid leave of absence before termination, in exchange for a non-compete and non-solicitation commitment and a release of claims against the company. The leave period will be credited to years of service under the pension plans described above. During the leave, the executive officer’s stock options will continue to become exercisable and his RSUs will continue to vest. Amounts paid to an individual during a paid leave of absence are not counted when calculating benefits under the qualified and non-qualified pension plans.

In the case of a separation arrangement in which the executive officer will be at least 50 years old and have at least 15 years of employment with the company on his or her last day of active employment before beginning the paid leave of absence, the separation arrangement will typically include an unpaid leave of absence, to commence at the end of the paid leave and end when the executive officer has reached the earlier of age 55 with at least 20 years of employment or age 60 with at least five years of service (bridge to retirement). The bridge to retirement will be credited to years of service under the qualified and non-qualified pension plans described above. Stock options will continue to become exercisable and RSUs will remain in effect, but for grants made before 2013, the number of RSUs will be reduced as described in note * on page 33.

Change in control

Our only program, plan or arrangement providing benefits triggered by a change in control is the TI Employees Non-Qualified Pension Plan. A change in control at December 31, 2015, would have accelerated payment of the balance under that plan. Please see page 36 for a discussion of the purpose of change in control provisions of that plan as well as the circumstances and the timing of payment.

Upon a change in control there is no acceleration of vesting of stock options and RSUs granted after 2009. Only upon an involuntary termination (not for cause) within 24 months after a change in control of TI will the vesting of such stock options and RSUs accelerate. Please see pages 32 and 33 for further information concerning change in control provisions relating to stock options and RSUs.

For a discussion of the impact of these programs on the compensation decisions for 2015, please see pages 20 and 27.

The table below shows the potential payments upon termination or change in control for each of the named executive officers.

Form of Compensation	Disability	Death	Involuntary termination for cause	Resignation; Involuntary termination (not for cause)	Retirement	Change in control
R.K. Templeton (1)						
Qualified Defined Benefit Pension Plan	$ 948,016 (2)	$ 460,214 (3)	$ 910,341 (4)	$ 910,341 (4)	$ 910,341 (4)	—
Non-Qual. Defined Benefit Pension Plan	$ 609,677 (5)	$ 198,869 (3)	$ 393,314 (4)	$ 393,314 (4)	$ 393,314 (4)	$ 393,314 (4)
Non-Qual. Defined Benefit Pension Plan II	$ 221,506 (5)	$ 137,059 (3)	$ 271,178 (4)	$ 271,178 (4)	$ 271,178 (4)	—
Deferred Compensation	—	$ 1,021,417 (6)	—	—	—	—
RSUs	$ 35,917,706 (7)	$ 35,917,706 (7)	$ 6,577,200 (8)	$ 33,748,161 (9)	$ 33,748,161 (9)	$ 6,577,200 (8)
Stock Options	$ 88,601,377 (10)	$ 88,601,377 (10)	—	$ 88,601,377 (10)	$ 88,601,377 (10)	—
R.K. Templeton Total	**$ 126,298,282**	**$ 127,115,333 (11)**	**$ 8,152,033**	**$ 123,924,371 (4)**	**$ 123,924,371**	**$ 6,970,514**
K.P. March (1)						
Qualified Defined Benefit Pension Plan	$ 1,679,605 (2)	$ 669,710 (3)	$ 1,284,788 (4)	$ 1,284,788 (4)	$ 1,284,788 (4)	—
Non-Qual. Defined Benefit Pension Plan	$ 349,792 (5)	$ 122,620 (3)	$ 236,251 (4)	$ 236,251 (4)	$ 236,251 (4)	$ 236,251 (4)
Non-Qual. Defined Benefit Pension Plan II	$ 7,926,839 (5)	$ 3,832,854 (3)	$ 7,352,032 (4)	$ 7,352,032 (4)	$ 7,352,032 (4)	—
Deferred Compensation	—	—	—	—	—	—
RSUs	$ 8,531,067 (7)	$ 8,531,067 (7)	—	$ 7,845,942 (9)	$ 7,845,942 (9)	—
Stock Options	$ 14,761,773 (10)	$ 14,761,773 (10)	—	$ 14,761,773 (10)	$ 14,761,773 (10)	—
K.P. March Total	**$ 33,249,076**	**$ 32,165,911 (11)**	**$ 8,873,071**	**$ 31,480,786**	**$ 31,480,786**	**$ 236,251**
B.T. Crutcher						
Qualified Defined Benefit Pension Plan	$ 10,783 (2)	$ 1,957 (3)	$ 3,888 (4)	$ 3,888 (4)	—	—
Non-Qual. Defined Benefit Pension Plan	—	—	—	—	—	—
Non-Qual. Defined Benefit Pension Plan II	—	—	—	—	—	—
Deferred Compensation	—	$ 1,079,545 (6)	—	—	—	—
RSUs	$ 18,608,817 (7)	$ 18,608,817 (7)	—	—	—	—
Stock Options	$ 7,027,982 (10)	$ 7,027,982 (10)	—	$ 1,022,299 (12)	—	—
B.T. Crutcher Total	**$ 25,647,582**	**$ 26,718,301**	**$ 3,888**	**$ 1,026,187**	**—**	**—**
S.A. Anderson						
Qualified Defined Benefit Pension Plan	—	—	—	—	—	—
Non-Qual. Defined Benefit Pension Plan	—	—	—	—	—	—
Non-Qual. Defined Benefit Pension Plan II	—	—	—	—	—	—
Deferred Compensation	—	$ 674,674 (6)	—	—	—	—
RSUs	$ 10,921,331 (7)	$ 10,921,331 (7)	—	—	—	—
Stock Options	$ 8,067,504 (10)	$ 8,067,504 (10)	—	$ 4,273,352 (12)	—	—
S.A. Anderson Total	**$ 18,988,835**	**$ 19,663,509**	**—**	**$ 4,273,352**	**—**	**—**
K.J. Ritchie (1)						
Qualified Defined Benefit Pension Plan	$ 2,083,592 (2)	$ 909,558 (3)	$ 1,789,662 (4)	$ 1,789,662 (4)	$ 1,789,662 (4)	—
Non-Qual. Defined Benefit Pension Plan	$ 926,549 (5)	$ 343,447 (3)	$ 673,384 (4)	$ 673,384 (4)	$ 673,384 (4)	$ 673,384 (4)
Non-Qual. Defined Benefit Pension Plan II	$ 9,993,984 (5)	$ 4,782,631 (3)	$ 9,412,777 (4)	$ 9,412,777 (4)	$ 9,412,777 (4)	—
Deferred Compensation	—	—	—	—	—	—
RSUs	$ 11,369,896 (7)	$ 11,369,896 (7)	—	$ 10,570,602 (9)	$ 10,570,602 (9)	—
Stock Options	$ 6,003,664 (10)	$ 6,003,664 (10)	—	$ 6,003,664 (10)	$ 6,003,664 (10)	—
K.J. Ritchie Total	**$ 30,377,685**	**$ 29,249,383 (11)**	**$ 11,875,823**	**$ 28,450,089**	**$ 28,450,089**	**$ 673,384**

(1) Messrs. Templeton, March and Ritchie were eligible to retire as of December 31, 2015.

(2) The amount shown is the lump-sum benefit payable at age 65 to the named executive officer in the event of termination as of December 31, 2015, due to disability, assuming the named executive officer does not request payment of his disability benefit until age 65. The assumptions used in calculating these amounts are the same as the age-65 lump-sum assumptions used for financial reporting purposes for the company's audited financial statements for 2015 and are described in note 6 to the 2015 pension benefits table on page 34.

(3) Value of the benefit payable in a lump sum to the executive officer's beneficiary calculated as required by the terms of the plan assuming the earliest possible payment date. The plan provides that in the event of death, the beneficiary receives 50 percent of the participant's accrued benefit, reduced by the age-applicable joint and 50 percent survivor factor.

(4) Lump-sum value of the accrued benefit as of December 31, 2015, calculated as required by the terms of the plans assuming the earliest possible payment date.

(5) The amount shown is the lump-sum benefit payable at age 65, in the case of the Non-Qualified Defined Benefit Pension Plan, or separation from service in the case of Plan II. The assumptions used are the same as those described in note 2 above.

(6) Balance as of December 31, 2015, under the non-qualified deferred compensation plan.

(7) Calculated by multiplying the number of outstanding RSUs by the closing price of TI common stock as of December 31, 2015 ($54.81). In the event of termination due to disability or death, all outstanding awards will continue to vest according to their terms. Please see the outstanding equity awards at fiscal year-end 2015 table on page 31 for the number of unvested RSUs as of December 31, 2015, and page 33 for a discussion of an additional outstanding RSU award held by Mr. Templeton.

(8) Calculated by multiplying 120,000 vested RSUs by the closing price of TI common stock as of December 31, 2015 ($54.81). See page 33 for further information about this award.

(9) Due to retirement eligibility, calculated by multiplying the number of outstanding RSUs held at such termination by the closing price of TI common stock as of December 31, 2015 ($54.81). RSU awards stay in effect and pay out shares according to the vesting schedule, although for grants made before 2013, the number of shares is reduced according to the duration of employment over the vesting period. See page 33 for additional details.

(10) Calculated as the difference between the grant price of all outstanding in-the-money options and the closing price of TI common stock as of December 31, 2015 ($54.81), multiplied by the number of shares under such options as of December 31, 2015.

(11) Due to retirement eligibility, the total includes the value of the benefit payable in a lump sum under the Survivor Benefit Plan to the officer's beneficiary in the following amounts: Mr. Templeton $778,691, Mr. March $4,247,887 and Mr. Ritchie $5,840,187. The amount of the benefit is calculated as required by the terms of the plan assuming the earliest possible payment date.

(12) Calculated as the difference between the grant price of all exercisable in-the-money options and the closing price of TI common stock as of December 31, 2015 ($54.81), multiplied by the number of shares under such options as of December 31, 2015.

Audit Committee report

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

As noted in the committee's charter, TI management is responsible for preparing the company's financial statements. The company's independent registered public accounting firm is 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 TI's financial statements, nor does it involve a professional evaluation of the quality of the audits performed by the independent registered public accounting firm.

The committee has reviewed and discussed with management and the independent accounting firm, as appropriate, (1) the audited financial statements and (2) management's report on internal control over financial reporting and the independent accounting firm's related opinions.

The committee has discussed with the independent registered public accounting firm, Ernst & Young, the required communications specified by auditing standards together with guidelines established by the SEC and the Sarbanes-Oxley Act.

The committee has received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board, regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and has discussed with Ernst & Young the firm's 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 2015 for filing with the SEC.

Ralph W. Babb, Jr., Chair   Mark A. Blinn   Janet F. Clark   Ruth J. Simmons

Proposal to ratify appointment of independent registered public accounting firm

The Audit Committee of the board has the authority and responsibility for the appointment, compensation, retention and oversight of the work of TI's independent registered public accounting firm. The Audit Committee has appointed Ernst & Young LLP to be TI's independent registered public accounting firm for 2016.

TI has engaged Ernst & Young or a predecessor firm to serve as the company's independent registered public accounting firm for over 60 years. In order to assure continuing auditor independence, the Audit Committee periodically considers whether the annual audit of TI's financial statements should be conducted by another firm.

The lead audit partner on the TI engagement serves no more than five consecutive years in that role, in accordance with SEC rules. The Audit Committee Chair and management have direct input into the selection of the lead audit partner.

The members of the Audit Committee and the board believe that the continued retention of Ernst & Young to serve as the company's independent registered public accounting firm is in the best interest of the company and its investors. Consequently, the board asks the stockholders to ratify the appointment of Ernst & Young. If the stockholders do not ratify the appointment, the Audit Committee will consider whether it should appoint another independent registered public accounting firm.

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.

The fees for services provided by Ernst & Young to the company are described below:

Audit fees. Ernst & Young's Audit Fees were $9,096,000 in 2015 and $9,134,000 in 2014. The services provided in exchange for these fees were our annual audit, including the audit of internal control over financial reporting, reports on Form 10-Q, assistance with public debt offerings, statutory audits required internationally and accounting consultations.

Audit-related fees. Ernst & Young's fees for Audit-related services were $795,000 in 2015 and $797,000 in 2014. The services provided in exchange for these fees included employee benefit plan audits, certification procedures relating to compliance with local-government or other regulatory standards for various non-U.S. subsidiaries, and 2014 access to Ernst & Young's online research tool.

Tax fees. Ernst & Young's fees for professional services rendered for tax compliance (preparation and review of income tax returns and other tax-related filings) and tax advice on U.S. and foreign tax matters were $2,827,000 in 2015 and $1,802,000 in 2014.

All other fees. Ernst & Young's fees for all other professional services rendered were $29,000 in 2015 and $32,000 in 2014 for the TI Foundation audit, training and 2015 access to Ernst & Young's online research tool.

Pre-approval policy. The Audit Committee is required to pre-approve the audit and non-audit services to be performed by the independent registered public accounting firm in order to assure that the provision of such services does not impair the firm's independence.

Annually the independent registered public accounting firm and the director of internal audits present to the Audit Committee services expected to be performed by the firm over the next 12 months. The Audit Committee reviews and, as it deems appropriate, pre-approves those services. The services and estimated fees are presented to the Audit Committee for consideration in the following categories: Audit, Audit-related, Tax and All other (each as defined in Schedule 14A of the Securities Exchange Act). For each service listed in those categories, the committee receives detailed documentation indicating the specific services to be provided. The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee reviews on at least a quarterly basis the services provided to date by the firm and the fees incurred for those services. The Audit Committee may revise the list of pre-approved services and related fees from time to time, based on subsequent determinations.

In order to respond to time-sensitive requests for services that may arise between regularly scheduled meetings of the Audit Committee, the committee has delegated pre-approval authority to its Chair (the Audit Committee does not delegate to management its responsibilities to pre-approve services). The Chair reports pre-approval decisions to the Audit Committee and seeks ratification of such decisions at the Audit Committee's next scheduled meeting.

The Audit Committee or its Chair pre-approved all services provided by Ernst & Young during 2015.

The board of directors recommends a vote FOR ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for 2016.

Proposal to approve amendment of the Texas Instruments 2009 Long-Term Incentive Plan

The board asks stockholders to approve amending the Texas Instruments 2009 Long-Term Incentive Plan (the "2009 Plan") to provide for the following:

- an increase in the number of shares of TI common stock ("Shares") authorized for issuance pursuant to awards under the 2009 Plan (the "Share Reserve") by 40,000,000 Shares; and
- an extension of the period during which awards may be granted under the 2009 Plan (the "Term") to April 21, 2026.

The board has approved these amendments to the 2009 Plan subject to approval of stockholders. For the reasons stated below, the board believes these amendments are in the best interest of the company and stockholders and urges that this proposal be approved.

The 2009 Plan is intended to enhance the company's ability to attract and retain qualified individuals as employees and encourage them to acquire a proprietary interest in the growth and performance of the company. The 2009 Plan is our only active plan under which we may grant equity awards to employees. Non-employee directors are not eligible for awards under the 2009 Plan.

The 2009 Plan reflects responsible equity compensation practices. These include:

- ***No "evergreen" provision*** – The Share Reserve is not automatically replenished.
- ***No liberal share counting provision*** – Shares tendered by grantees to pay the exercise price of a stock option or stock appreciation right ("SAR") or satisfy tax obligations are not added back into the Share Reserve.
- ***No automatic grants*** – The 2009 Plan does not provide for automatic grants to any individual.
- ***No discounted stock options or SARs*** – The exercise price of stock options and SARs shall be no lower than the fair market value of Shares on the date of grant (other than substitute awards if we assume or replace outstanding awards granted by a company that we acquire).
- ***No repricing of stock options or SARs*** – No repricing of stock options or SARs is permitted, except to adjust the exercise price due to a stock split, corporate restructuring or similar event.
- ***Double-trigger change-in-control terms*** – Awards are generally subject to double-trigger change-in-control terms, under which full vesting of the award would be triggered not by a change in control of the company, but rather by employment termination if it occurred within 24 months after such event.
- ***No tax gross-ups*** – The 2009 Plan does not provide for tax gross-ups to any individual, whether in connection with a change in control or otherwise.

Stockholders approved the 2009 Plan in April 2009 and reapproved in April 2014 the performance goals identified in the 2009 Plan for purposes of certain performance-based awards. Without taking account of the proposed increase in the Share Reserve, the remaining Share Reserve under the 2009 Plan as of January 31, 2016, is 18,464,864 Shares. For more details on the Share Reserve, please see the first table on page 43.

We consider the 2009 Plan to be a vital element of our employee compensation program and believe that the continued ability to grant awards at competitive levels is in the best interest of the company and stockholders. If stockholders approve the proposal, the requested increase in the Share Reserve and extension of the Term will become effective on the date of stockholder approval. We believe the Share Reserve will then be sufficient to enable us to make awards under the 2009 Plan for approximately the next three years, assuming historical grant and forfeiture levels and recent market prices of Shares. The Term is proposed to be extended to April 21, 2026, to give us the flexibility to use the 2009 Plan throughout that period if our granting activity is less than we anticipate.

If stockholders do not approve the proposed amendments, the 2009 Plan will remain in effect through April 16, 2019, and we may continue to make awards under the plan until then, to the extent Shares remain available for grant. We believe the current Share Reserve will be enough only for approximately the next one year on the assumptions described above. In that event, our flexibility to make equity awards at competitive levels may be severely limited.

Information regarding share usage and dilution

The following table sets forth the number of Shares available for future awards under each of the company's equity compensation plans as of January 31, 2016:

	Available for Future Awards	Additional Shares Requested in This Proposal	Total Available for Future Awards If This Proposal is Approved
2009 Plan	18,464,864	40,000,000	58,464,864
Texas Instruments 2009 Director Compensation Plan (1)	1,195,829	—	1,195,829
Total (2)	19,660,693	40,000,000	59,660,693

(1) Eligible participants are non-employee directors of the company. The term of the Texas Instruments 2009 Director Compensation Plan (the "Director Plan") expires on April 16, 2019.

(2) This table and the tables below exclude the stockholder-approved TI Employees 2014 Stock Purchase Plan (ESPP).

The 40,000,000 Shares that we are proposing to add to the Share Reserve are approximately 4 percent of the 1,008,975,790 Shares outstanding as of January 31, 2016.

The following table sets forth information concerning outstanding awards under the company's plans as of January 31, 2016:

	2009 Plan	Director Plan	All Other Plans (3)(4)	Total
Shares underlying outstanding stock options (1)	58,413,672	638,959	6,940,020	65,992,651
Shares underlying outstanding restricted stock units (2)	13,016,795	132,614	182,734	13,332,143
Total Shares underlying outstanding awards	71,430,467	771,573	7,122,754	79,324,794
Total Shares underlying outstanding awards as a percentage of Shares outstanding	7%	Less than 1%	1%	8%

Weighted average exercise price of all outstanding stock options $40.12
Weighted average remaining contractual life of all outstanding stock options . . . . 7.07 years

(1) The company has granted no SARs.

(2) The company has no restricted stock awards outstanding. All outstanding full-value awards are restricted stock units.

(3) Consists of the Texas Instruments Long-Term Incentive Plan, Texas Instruments 2000 Long-Term Incentive Plan, Texas Instruments 2003 Long-Term Incentive Plan, National Semiconductor Corporation 2009 Incentive Award Plan, Texas Instruments 2003 Director Compensation Plan and Texas Instruments Restricted Stock Unit Plan for Directors. Each of these plans is closed to future granting activity.

(4) Of these outstanding awards, an aggregate of 6,837,006 Shares would become available under the 2009 Plan if the awards were cancelled or terminated, as described under Summary of the 2009 Plan below.

The table below shows net annual dilution and other metrics concerning equity grants under the company's plans for the last three fiscal years. The only active plan for granting equity awards to employees during this period was the 2009 Plan.

Metric	2015	2014	2013	Average
Dilution (1)	1.3%	1.4%	1.3%	1.3%
Burn rate (2)	1.4%	1.6%	1.7%	1.6%
Overhang (3)	10.4%	11.6%	13.5%	11.8%

(1) Calculated by dividing (a) the number of Shares underlying awards granted to all recipients during the year, minus award cancellations and forfeitures during the year, by (b) the number of Shares outstanding at year-end.

(2) Calculated by dividing (a) the number of Shares underlying awards granted during the year to all recipients by (b) the number of Shares outstanding at year-end.

(3) Calculated by dividing the sum of (a) the number of Shares underlying outstanding awards and (b) Shares available for future awards, by (c) the number of Shares outstanding, in each case at year-end.

Summary of the 2009 Plan

The 2009 Plan is attached as Appendix B. The summary below is qualified in its entirety by reference to the text of the 2009 Plan.

The 2009 Plan provides for the grant of the following types of awards: (1) stock options, (2) restricted stock and restricted stock units, (3) performance units and (4) other awards (including SARs) valued in whole or in part by reference to or otherwise based on common stock of the company.

The Compensation Committee of TI's board of directors (the "Committee") administers the 2009 Plan. The Committee consists exclusively of (1) independent directors within the meaning of the rules of The NASDAQ Stock Market and (2) outside directors as described in Section 162(m) of the Internal Revenue Code (the "Code"). The Committee has the sole discretion to grant awards to eligible grantees under the 2009 Plan and determine the terms, timing, transferability and method of exercise of awards, as applicable.

Employees of the company and its subsidiaries and affiliates are eligible to receive awards under the 2009 Plan. As of January 31, 2016, we have approximately 30,000 employees who are eligible to be considered for awards under the 2009 Plan, including 10 executive officers. Substitute awards may be made in case of acquisitions and business combinations. While the 2009 Plan also provides that awards may be granted to independent contractors, no award has been granted under the 2009 Plan to an independent contractor of the company or any subsidiary or affiliate, and none will be granted in the future under the 2009 Plan. Directors who are not employees of the company are not eligible to receive awards under the 2009 Plan.

The number of Shares currently authorized for issuance under the 2009 Plan is 75,000,000 Shares (which we are requesting stockholders to increase by 40,000,000 Shares in this proposal), plus Shares subject to any award made under a previous long-term incentive plan that are not issued due to cancellation or forfeiture of the award. The number of authorized Shares may be adjusted in the case of a dividend or other distribution, recapitalization, stock split, or other corporate event or transaction. Shares underlying awards that the company makes in assumption of, or in substitution for, awards previously granted by a company that the company acquires ("Substitute Awards") do not count against the Shares authorized for issuance under the 2009 Plan.

Except in the case of Substitute Awards, and except as a result of a corporate adjustment event described above, stock options, SARs and similar stock-based awards under the 2009 Plan with an exercise or a purchase price will not have an exercise or a purchase price (or equivalent) of less than 100% of the fair market value of the stock on the date the Committee grants the stock option or award. Determinations of fair market value under the 2009 Plan are made in accordance with methods or procedures established by the Committee.

Under the 2009 Plan, no individual may receive stock options and SARs, considered together, for more than 4,000,000 Shares in any calendar year. In any calendar year, no individual may be granted awards under the 2009 Plan (other than stock options or SARs) intended to qualify as performance-based compensation under Section 162(m) that exceed, in the aggregate, $5,000,000 or, if denominated in Shares, 4,000,000 Shares.

Any award under the 2009 Plan may, but need not, be subject to the satisfaction of one or more performance goals. Awards will be made subject to one or more performance goals if the Committee determines that such awards are in the best interest of the company and its stockholders.

Awards (other than stock options and SARs) intended to qualify as performance-based compensation under Section 162(m) will be granted subject to performance goals based on one or more of the following business criteria as applied, in the Committee's discretion, on an absolute basis or relative to other companies: cash flow; cycle time; earnings before income taxes; earnings before income taxes, depreciation and amortization; earnings per share; free cash flow; gross profit; gross profit margin; manufacturing process yield; market share; net income; net revenue per employee; operating profit; return on assets; return on capital; return on common equity; return on invested capital; return on net assets; revenue growth; or total stockholder return.

With respect to awards made after 2009, if a grantee is involuntarily terminated from employment with the company within 24 months after a change in control of the company, then unless specifically provided to the contrary in the award agreement or otherwise determined by the Committee, (i) awards held by the grantee will become fully vested and exercisable and any restrictions applicable to the awards will lapse and (ii) to the extent permitted without additional tax or penalty by Section 409A of the Code, the Shares underlying restricted stock units will be issued as soon as practicable after the grantee's involuntary termination (or if additional tax or penalty would apply to accelerated issuance, the Shares will not be issued until the issuance date specified in the award agreement).

Unless the proposed amendment is approved, no awards may be granted under the 2009 Plan after April 16, 2019. The board of directors may amend, alter, discontinue or terminate the 2009 Plan or any portion of the plan at any time. However, stockholder approval must be obtained for any increase in the number of Shares available for awards except upon a corporate adjustment event described above.

New plan benefits

We are not proposing any change to the types of benefits any individual may receive under the 2009 Plan. The benefits or amounts that individuals will receive in the future under the 2009 Plan continue to be subject to the discretion of the Committee and, accordingly, are not determinable. In 2015, the named executive officers were granted awards as set forth in the grants of plan-based awards in 2015 table on page 30. The executive officers may have an interest in this proposal by virtue of their eligibility for awards under the 2009 Plan. In 2015, the executive officers as a group were granted awards for 2,183,071 Shares (consisting of stock options for 1,839,162 Shares and 343,909 restricted stock units), and non-executive officer employees as a group were granted awards for 12,284,278 Shares (consisting of stock options for 9,969,280 Shares and 2,314,998 restricted stock units). Non-employee directors are not eligible for awards under the 2009 Plan. The closing price of Shares on January 29, 2016, was $52.93.

Tax matters

The following summary is limited to the U.S. federal tax laws. It does not include the tax laws of any municipality, state or foreign country in which the participant resides.

Stock options: Counsel for the company has advised that a participant will recognize no income under the Code upon the receipt of any stock option award. In the case of an incentive stock option, if a participant exercises the stock option during or within three months of employment and does not dispose of the Shares within two years of the date of grant or one year after the transfer of the Shares to the participant, the participant will be entitled for federal income tax purposes to treat any profit which may be recognized upon the disposition of the Shares as a long-term capital gain. In contrast, a participant who receives a stock option under the 2009 Plan that is not an incentive stock option or who does not comply with the conditions noted above will generally recognize ordinary income at the time of exercise in the amount of the excess, if any, of the fair market value of the stock on the date of exercise over the stock option price. Such ordinary income generally is subject to withholding of income and employment taxes. The company should be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income, if any, recognized by a participant who (a) exercises a stock option that is not an incentive stock option, or (b) disposes of stock that was acquired pursuant to the exercise of an incentive stock option prior to the end of the required holding period described above, except to the extent such tax deduction is limited by applicable provisions of the Code. In the case of incentive stock options, any excess of the fair market value of the stock at the time of exercise over the stock option price would be an item of income for purposes of the participant's alternative minimum tax.

Restricted stock units: Counsel for the company has advised that a participant will recognize no income under the Code upon the receipt of an unvested restricted stock unit award. Upon the settlement of a restricted stock unit award, participants will recognize ordinary income in the year of receipt in an amount equal to the fair market value of any Shares received. Such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any Shares received, any gain or loss, based on the difference between the sale price and the fair market value on the date of settlement, will be taxed as capital gain or loss. The company should be entitled to a deduction for federal income tax purposes equal to the amount of ordinary income recognized by the participant on the determination date, except to the extent such deduction is limited by applicable provisions of the Code.

The board of directors recommends a vote "FOR" the proposal to approve amendment of the Texas Instruments 2009 Long-Term Incentive Plan as described above.

Equity compensation plan information

The following table sets forth information about the company's equity compensation plans as of December 31, 2015:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	67,812,353 (1)	$ 37.51 (2)	70,481,353 (3)
Equity compensation plans not approved by security holders	5,532,651 (4)	$ 37.45 (2)	0
Total	73,345,004 (5)	$ 37.50	70,481,353

(1) Includes shares of TI common stock to be issued under the Texas Instruments 2003 Director Compensation Plan (the "2003 Director Plan"), the Texas Instruments 2009 Long-Term Incentive Plan (the "2009 LTIP") and predecessor stockholder-approved plans, the Texas Instruments 2009 Director Compensation Plan (the "2009 Director Plan") and the TI Employees 2014 Stock Purchase Plan (the "2014 ESPP"). Also includes 5,989 shares of TI common stock to be issued upon settlement of outstanding awards granted under the National Semiconductor Corporation 2009 Incentive Award Plan, a plan approved by National stockholders. The company assumed the awards in connection with its acquisition of National.

(2) Restricted stock units and stock units credited to directors' deferred compensation accounts are settled in shares of TI common stock on a one-for-one basis. Accordingly, such units have been excluded for purposes of computing the weighted-average exercise price.

(3) Shares of TI common stock available for future issuance under the 2009 LTIP, the 2009 Director Plan and the 2014 ESPP. 31,373,830 shares remain available for future issuance under the 2009 LTIP and 1,447,315 shares remain available for future issuance under the 2009 Director Plan. Under the 2009 LTIP and the 2009 Director Plan, shares may be granted in the form of restricted stock units, options or other stock-based awards such as restricted stock.

(4) Includes shares to be issued under the Texas Instruments 2003 Long-Term Incentive Plan (the "2003 LTIP"). The 2003 LTIP was replaced by the 2009 LTIP, which was approved by stockholders. No further grants may be made under the 2003 LTIP. Only non-management employees were eligible to receive awards under the 2003 LTIP. The 2003 LTIP authorized the grant of shares in the form of restricted stock units, options or other stock-based awards such as restricted stock. The plan is administered by a committee of independent directors (the Committee). The Committee had the sole discretion to grant to eligible participants one or more equity awards and to determine the number or amount of any award. Except in the case of awards made through assumption of, or in substitution for, outstanding awards previously granted by an acquired company, and except as a result of an adjustment event such as a stock split, the exercise price under any stock option, the grant price of any stock appreciation right, and the purchase price of any security that could be purchased under any other stock-based award under the 2003 LTIP could not be less than 100 percent of the fair market value of the stock or other security on the effective date of the grant of the option, right or award.

Also includes shares to be issued under the Texas Instruments Directors Deferred Compensation Plan and the Texas Instruments Restricted Stock Unit Plan for Directors. These plans were replaced by the stockholder-approved 2003 Director Plan (which was replaced by the 2009 Director Plan), and no further grants may be made under them.

(5) Includes 56,773,983 shares for issuance upon exercise of outstanding grants of options, 16,055,542 shares for issuance upon vesting of outstanding grants of restricted stock units, 372,566 shares for issuance under the 2014 ESPP and 142,913 shares for issuance in settlement of directors' deferred compensation accounts.

Additional information

Voting securities

As stated in the notice of annual meeting, holders of record of the common stock at the close of business on February 22, 2016, may vote at the meeting or any adjournment of the meeting. As of February 22, 2016, 1,005,257,723 shares of TI 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.

Security ownership of certain beneficial owners

The following table shows the only persons who have reported beneficial ownership of more than 5 percent of the common stock of the company. Persons generally "beneficially own" shares if they have the right to either 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, 2015	Percent of Class
Capital Research Global Investors (1) 333 South Hope Street Los Angeles, CA 90071	88,088,517 (2)	8.71%
Capital World Investors (1) 333 South Hope Street Los Angeles, CA 90071	68,528,496 (3)	6.78%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	68,503,499 (4)	6.77%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	58,798,732 (5)	5.81%
PRIMECAP Management Company 225 South Lake Ave., #400 Pasadena, CA 91101	54,483,936 (6)	5.39%

(1) A division of Capital Research and Management Company (CRMC).

(2) TI understands that Capital Research Global Investors is deemed to be the beneficial owner of these shares as a result of CRMC acting as an investment advisor to various investment companies. Capital Research Global Investors has sole dispositive power and sole voting power for these shares.

(3) TI understands that Capital World Investors is deemed to be the beneficial owner of these shares as a result of CRMC acting as an investment advisor to various investment companies. Capital World Investors has sole voting power and sole dispositive power for these shares.

(4) TI understands that The Vanguard Group has sole voting power for 1,903,877, sole dispositive power for 66,482,987 and shared dispositive power for 2,020,512 of these shares.

(5) TI understands that PRIMECAP Management Company has sole voting power for 7,185,153 and sole dispositive power for all of these shares.

(6) TI understands that BlackRock, Inc. has sole voting power for 49,708,006 and sole dispositive power for all of these shares.

Security ownership of directors and management

The following table shows the beneficial ownership of TI common stock by directors, the named executive officers and all executive officers and directors as a group. Each director and named executive officer has sole voting power (except for shares obtainable within 60 days, shares subject to RSUs and shares credited to deferred compensation accounts as detailed in the footnotes to the table) and sole investment power with respect to the shares owned. The table excludes shares held by a family member if a director or executive officer has disclaimed beneficial ownership. No director or executive officer has pledged shares of TI common stock.

Name	Shares Owned at December 31, 2015	Percent of Class
Directors (1)		
R. W. Babb, Jr.	75,519	*
M. A. Blinn	20,487	*
D. A. Carp	141,043	*
J. F. Clark	2,762	*
C. S. Cox	92,679	*
R. Kirk	14,904	*
P. H. Patsley	135,749	*
R. E. Sanchez	48,331	*
W. R. Sanders	77,323	*
R. J. Simmons	64,196	*
R. K. Templeton	4,303,565	*
C. T. Whitman	116,684	*
Management (2)		
K. P. March	981,368	*
B. T. Crutcher	666,405	*
S. A. Anderson	572,970	*
K. J. Ritchie	477,828	*
All executive officers and directors as a group (3)	10,338,972	1.02%

(1) Included in the shares owned shown above are:

Directors	Shares Obtainable within 60 Days	Shares Credited to 401(k) Account	RSUs (in Shares) (a)	Shares Credited to Deferred Compensation Accounts (b)
R. W. Babb, Jr.	42,002	—	15,146	17,371
M. A. Blinn	8,783	—	6,121	5,583
D. A. Carp	70,002	—	31,810	39,231
J. F. Clark	—	—	2,000	762
C. S. Cox	63,002	—	25,146	1,392
R. Kirk	8,783	—	6,121	—
P. H. Patsley	70,002	—	12,259	40,601
R. E. Sanchez	32,000	—	10,259	4,072
W. R. Sanders	42,002	—	19,859	1,575
R. J. Simmons	12,435	—	31,146	20,615
R. K. Templeton	3,223,774	13,113	655,313	—
C. T. Whitman	70,002	—	22,646	9,044

(a) The non-employee directors' RSUs granted before 2007 are settled in TI common stock generally upon the director's termination of service provided he or she has served at least eight years or has reached the company's retirement age for directors. RSUs granted after 2006 are settled in TI common stock generally upon the fourth anniversary of the grant date.

(b) The shares in deferred compensation accounts are issued following the director's termination of service.

(2) Included in the shares owned shown above are:

Executive Officer	Shares Obtainable within 60 Days	Shares Credited to 401(k) Account	RSUs (in Shares)
K. P. March	626,202	2,114	155,648
B. T. Crutcher	326,564	—	339,515
S. A. Anderson	373,712	—	199,258
K. J. Ritchie	269,553	—	207,442

(3) Includes:

(a) 7,118,461 shares obtainable within 60 days;

(b) 34,470 shares credited to 401(k) accounts;

(c) 2,187,594 shares subject to RSU awards; for the terms of these RSUs, please see pages 13 and 33; and

(d) 140,245 shares credited to certain non-employee directors' deferred compensation accounts; shares in deferred compensation accounts are issued following a director's termination of service.

Related person transactions

Because we believe that company transactions with directors and executive officers of TI or with persons related to TI directors and executive officers present a heightened risk of creating or appearing to create a conflict of interest, we have a written related person transaction policy that has been approved by the board of directors. The policy states that TI directors and executive officers should obtain the approvals specified below in connection with any related person transaction. The policy applies to transactions in which:

1. TI or any TI subsidiary is or will be a participant;
2. The amount involved exceeds or is expected to exceed $100,000 in a fiscal year; and
3. Any of the following (a "related person") has or will have a direct or indirect interest:

   (a) A TI director or executive officer, or an Immediate Family Member of a director or executive officer;
   (b) A stockholder owning more than 5 percent of the common stock of TI or an Immediate Family Member of such stockholder, or, if the 5 percent stockholder is not a natural person, any person or entity designated in the Form 13G or 13D filed under the SEC rules and regulations by the 5 percent stockholder as having an ownership interest in TI stock (individually or collectively, a "5 percent holder"); or
   (c) An entity in which someone listed in (a) or (b) above has a 5 percent or greater ownership interest, by which someone listed in (a) or (b) is employed, or of which someone listed in (a) or (b) is a director, principal or partner.

For purposes of the policy, an "Immediate Family Member" is any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law or any person (other than a tenant or employee) sharing the household of a TI director, executive officer or 5 percent holder.

The policy specifies that a related person transaction includes, but is not limited to, any financial transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions or arrangements.

The required approvals are as follows:

Arrangement involving:	Approval required by:
Executive officer who is also a member of the TI board, an Immediate Family Member of such person, or an entity in which any of the foregoing has a 5 percent or greater ownership interest	G&SR Committee
Chair of the G&SR Committee, chief compliance officer, any of his or her Immediate Family Members, or an entity in which any of the foregoing has a 5 percent or greater ownership interest	G&SR Committee
Any other director or executive officer, an Immediate Family Member of such person, or an entity in which any of the foregoing has a 5 percent or greater ownership interest	Chief Compliance Officer in consultation with the Chair of the G&SR Committee
A 5 percent holder	G&SR Committee

No member of the G&SR Committee will participate in the consideration of a related person arrangement in which such member or any of his or her Immediate Family Members is the related person.

The approving body or persons will consider all of the relevant facts and circumstances available to them, including (if applicable) but not limited to: the benefits to the company of the arrangement; the impact on a director's independence; the availability of other sources for comparable products or services; the terms of the arrangement; and the terms available to unrelated third parties or to employees generally. The primary consideration is whether the transaction between TI and the related person (a) was the result of undue influence from the related person or (b) could adversely influence or appear to adversely influence the judgment, decisions or actions of the director or executive officer in meeting TI responsibilities or create obligations to other organizations that may come in conflict with responsibilities to TI.

No related person arrangement will be approved unless it is determined to be in, or not inconsistent with, the best interests of the company and its stockholders, as the approving body or persons shall determine in good faith.

The chief compliance officer will provide periodic reports to the committee on related person transactions. Any related person transaction brought to the attention of the chief compliance officer or of which the chief compliance officer becomes aware that is not approved pursuant to the process set forth above shall be terminated as soon as practicable.

During 2015, two family members of executive officers were employed by the company. The son of R. Gregory Delagi (Senior Vice President) was employed in our facilities organization, and the spouse of Cynthia Hoff Trochu (Senior Vice President and General Counsel) was employed in our finance organization until his retirement in August 2015. Neither Mr. Delagi nor Ms. Trochu was involved in any decisions regarding their family member's employment at TI, and the compensation of both family members was consistent with that of similarly situated employees. These transactions have been reviewed and ratified in accordance with the company's related person transactions policy described above.

Compensation committee interlocks and insider participation

During 2015, Messrs. Carp and Sanchez and Mses. Patsley and Whitman served on the Compensation Committee. No committee member (i) was an officer or employee of TI, (ii) was formerly an officer of TI or (iii) had any relationship requiring disclosure under the SEC's rules governing disclosure of related person transactions (Item 404 of Regulation S-K). No executive officer of TI served as a director or member of the compensation committee of another entity, one of whose directors or executive officers served as a member of our board of directors or a member of the Compensation Committee.

Cost of solicitation

The solicitation is made on behalf of our board of directors. TI 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 TI may solicit proxies personally, by telephone, fax or e-mail, from some stockholders if proxies are not promptly received. We have also hired Georgeson Inc. to assist in the solicitation of proxies at a cost of $12,000 plus out-of-pocket expenses.

Stockholder proposals for 2017

If you wish to submit a proposal for possible inclusion in TI's 2017 proxy material, we must receive your notice, in accordance with the rules of the SEC, on or before November 9, 2016. Proposals are to be sent to: Texas Instruments Incorporated, 12500 TI Boulevard, MS 8658, Dallas, TX 75243, Attn: Secretary.

If you wish to submit a proposal at the 2017 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 21, 2017.

All suggestions from stockholders concerning the company's business are welcome and will be carefully considered by TI's management. To ensure that your suggestions receive appropriate review, the G&SR Committee reviews correspondence from stockholders and management's responses. Stockholders are thereby 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. Please see page 8 for information on contacting the board.

Benefit plan voting

If you are a participant in the TI Contribution and 401(k) Savings Plan, or the TI 401(k) Savings Plan, you are a "named fiduciary" under the plans and are entitled to direct the voting of shares allocable to your accounts under these plans. The trustee administering your plan will vote your shares in accordance with your instructions. If you wish to instruct the trustee on the voting of shares held for your accounts, you should do so by April 18, 2016, in the manner described in the notice of annual meeting.

Additionally, participants under the plans are designated as "named fiduciaries" for the purpose of voting TI stock held under the plans for which no voting direction is received. TI shares held by the TI 401(k) savings plans for which no voting instructions are received by April 18, 2016, will be voted in the same proportions as the shares in the plans for which voting instructions have been received by that date unless otherwise required by law.

Section 16(a) beneficial ownership reporting compliance

Section 16(a) of the Securities Exchange Act requires certain persons, including the company's directors and executive officers, to file reports with the SEC regarding beneficial ownership of certain equity securities of the company. The company believes that all reports during 2015 were timely filed by its directors and executive officers.

Telephone and Internet voting

Registered stockholders and benefit plan participants. Stockholders with shares registered directly with Computershare (TI's transfer agent) and participants who beneficially own shares in a TI benefit plan may vote telephonically by calling (800) 690-6903 (within the U.S. and Canada only, toll-free) or via the Internet at www.proxyvote.com.

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. TI has been advised by counsel that the telephone and Internet voting procedures, which have been made available through Broadridge Financial Solutions, Inc., are consistent with the requirements of applicable law.

Stockholders with 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 may differ from the program provided to registered stockholders and benefit plan participants. Check the information forwarded by your bank, broker or other holder of record to see which options are available to you.

Stockholders voting via the Internet 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.

Stockholders sharing the same address

To reduce the expenses of delivering duplicate materials, we take advantage of the SEC's "householding" rules which permit us to deliver only one set of proxy materials (or one Notice of Internet Availability of Proxy Materials) to stockholders who share an address unless otherwise requested. If you share an address with another stockholder and have received only one set of these materials, you may request a separate copy at no cost to you by calling Investor Relations at 214-479-3773 or by writing to Texas Instruments Incorporated, P.O. Box 660199, MS 8657, Dallas, TX 75266-0199, Attn: Investor Relations. For future annual meetings, you may request separate materials, or request that we send only one set of materials to you if you are receiving multiple copies, by calling (800) 542-1061 or writing to Investor Relations at the address given above.

Electronic delivery of proxy materials and copies of our Form 10-K

As an alternative to receiving printed copies of these materials in future years, we are pleased to offer stockholders the opportunity to receive proxy mailings electronically. To request electronic delivery, please vote via the Internet at www.proxyvote.com and, when prompted, enroll to receive or access proxy materials electronically in future years. After the meeting date, stockholders holding shares through a broker or bank may request electronic delivery by visiting www.icsdelivery.com/ti and entering information for each account held by a bank or broker. If you are a registered stockholder and would like to request electronic delivery, please visit www-us.computershare.com/investor or call TI Investor Relations at 214-479-3773 for more information. If you are a participant in a TI benefit plan and would like to request electronic delivery, please call TI Investor Relations for more information.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on April 21, 2016. This 2016 proxy statement and the company's 2015 annual report are accessible at: www.proxyvote.com.

The company's Annual Report to Stockholders, which contains consolidated financial statements for the year ended December 31, 2015, accompanies this Proxy Statement. **You may also obtain a copy of the company's Annual Report on Form 10-K for the year ended December 31, 2015, that was filed with the SEC without charge by writing to Investor Relations, P.O. Box 660199, MS 8657, Dallas, TX 75266-0199.** Our Form 10-K is also available in the "Investor Relations" section of our website at www.TI.com.

Sincerely,

Cynthia Hoff Trochu
Senior Vice President,
Secretary and General Counsel

March 9, 2016
Dallas, Texas

Notice regarding forward-looking statements

This proxy statement includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Statements herein that describe TI's business strategy, plans, goals, future capital spending levels and potential for growth, improved profit margins and cash generation are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results and amounts to differ materially from those in forward-looking statements. For a detailed discussion of the risks and uncertainties, see the Risk factors discussion in Item 1A of our annual report on Form 10-K for the year ended December 31, 2015. The forward-looking statements included in this proxy statement are made only as of the date of this proxy statement and we undertake no obligation to update the forward-looking statements to reflect subsequent events or circumstances.

Directions and other annual meeting information

Directions

From DFW airport: Take the North Airport exit to IH-635E. Take IH-635E to the Greenville Avenue exit. Turn right (South) on Greenville. Turn right (West) on Forest Lane. Texas Instruments will be on your right at the second traffic light. Please use the North entrance to the building.

From Love Field airport: Take Mockingbird Lane East to US-75N (Central Expressway). Travel North on 75N to the Forest Lane exit. Turn right (East) on Forest Lane. You will pass two traffic lights. At the third light, the entrance to Texas Instruments will be on your left. Please use the North entrance to the building.

Parking

There will be reserved parking for all visitors at the North Lobby. Visitors with special needs requiring assistance will be accommodated at the South Lobby entrance.

Security

Please be advised that TI's security policy forbids weapons, cameras and audio/video recording devices inside TI buildings. All bags will be subject to search upon entry into the building.

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Appendix A

Non-GAAP reconciliations

This proxy statement refers to ratios based on free cash flow. These are financial measures that were not prepared in accordance with generally accepted accounting principles in the U.S. (GAAP). Free cash flow is a non-GAAP measure calculated by subtracting Capital expenditures from the most directly comparable GAAP measure, Cash flows from operating activities (also referred to as Cash flow from operations). We believe free cash flow and these ratios based on it provide insight into our liquidity, our cash-generating capability and the amount of cash potentially available to return to investors, as well as insight into our financial performance. These non-GAAP measures are supplemental to the comparable GAAP measures and are reconciled in the table below to the most directly comparable GAAP measures.

					Percentage of Revenue			
	For Years Ended December 31,				For Years Ended December 31,			
Free Cash Flow as a Percentage of Revenue	**2015**	**2014**	**2013**	**Total**	**2015**	**2014**	**2013**	**Total**
(Millions of dollars)								
Revenue	**$ 13,000**	$ 13,045	$ 12,205	**$ 38,250**				
Cash flow from operations (GAAP)	**$ 4,268**	$ 3,892	$ 3,384	**$ 11,544**	**32.8%**	29.8%	27.7%	**30.2%**
Capital expenditures	**(551)**	(385)	(412)	**(1,348)**				
Free cash flow (non-GAAP)	**$ 3,717**	$ 3,507	$ 2,972	**$ 10,196**	**28.6%**	26.9%	24.4%	**26.7%**

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Appendix B

TEXAS INSTRUMENTS 2009 LONG-TERM INCENTIVE PLAN

As amended effective April 21, 2016 (marked to show proposed amendments)

SECTION 1. *Purpose.*

The Texas Instruments 2009 Long-Term Incentive Plan is intended as a successor plan to the Company's 2000 Long-Term Incentive Plan, 2003 Long-Term Incentive Plan and the predecessors thereto. This Plan is designed to enhance the ability of the Company to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of the Company.

SECTION 2. *Definitions.*

As used in the Plan, the following terms shall have the meanings set forth in this Section 2. Any definition of a performance measure used in connection with an Award described by Section 11(f) shall have the meaning commonly ascribed to such term by generally acceptable accounting principles as practiced in the United States.

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee.

(b) "Award" shall mean any Option, award of Restricted Stock, Restricted Stock Unit, Performance Unit or Other Stock-Based Award granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant. An Award Agreement may be in electronic form.

(d) "Board" shall mean the board of directors of the Company.

(e) "Cash Flow" for a period shall mean net cash provided by operating activities.

(f) "Change in Control" shall mean an event that will be deemed to have occurred:

  (i) On the date any Person, other than (1) the Company or any of its Subsidiaries, (2) a trustee or other fiduciary holding stock under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding stock pursuant to an offering of such stock, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, acquires ownership of stock of the Company that, together with stock held by such Person, constitutes more than 50 percent of the total fair market value or total voting power of the stock of the Company. However, if any Person is considered to own more than 50 percent of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same Person is not considered to be a Change in Control;

  (ii) On the date a majority of members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the Board before the date of the appointment or election; or

  (iii) On the date any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person) assets from the Company that have a total gross fair market value equal to or more than 80 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of the Company or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets. However, there is no Change in Control when there is such a sale or transfer to (i) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's then outstanding stock; (ii) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by the Company; (iii) a Person that owns, directly or indirectly, at least 50 percent of the total value or voting power of the outstanding stock of the Company; or (iv) an entity, at least 50 percent of the total value or voting power of the stock of which is owned, directly or indirectly, by a Person that owns, directly or indirectly, at least 50

PROXY STATEMENT

percent of the total value or voting power of the outstanding stock of the Company.

(iv) For purposes of (i), (ii) and (iii) of this Section 2(f),

(A) “Affiliate” shall have the meaning set forth in Rule 12b-2 promulgated under Section 12 of the Securities Exchange Act of 1934, as amended;

(B) “Person” shall have the meaning given in Section 7701(a)(1) of the Code. Person shall include more than one Person acting as a group as defined by the Final Treasury Regulations issued under Section 409A of the Code; and

(C) “Subsidiary” means any entity whose assets and net income are included in the consolidated financial statements of the Company audited by the Company’s independent auditors and reported to stockholders in the annual report to stockholders.

(v) Notwithstanding the foregoing, in no case will an event in (i), (ii) or (iii) of this Section 2(f) be treated as a Change in Control unless such event also constitutes a “change in control event” with respect to the Company within the meaning of Treas. Reg. § 1.409A-3(i)(5) or any successor provision.

(g) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(h) “Committee” shall mean a committee of the Board designated by the Board to administer the Plan. Unless otherwise determined by the Board, the Compensation Committee designated by the Board shall be the Committee under the Plan.

(i) “Company” shall mean Texas Instruments Incorporated, together with any successor thereto.

(j) “Cycle Time” shall mean the actual time a specific process relating to a product or service of the Company takes to accomplish.

(k) “Earnings Before Income Taxes” shall mean income from continuing operations plus provision for income taxes.

(l) “Earnings Before Income Taxes, Depreciation and Amortization” or “EBITDA” shall mean income from continuing operations plus 1) provision for income taxes, 2) depreciation expense and 3) amortization expense.

(m) “Earnings Per Share” for a period shall mean diluted earnings per common share from continuing operations before extraordinary items.

(n) “Executive Group” shall mean every person who is expected by the Committee to be both (i) a “covered employee” as defined in Section 162(m) of the Code as of the end of the taxable year in which an amount related to or arising in connection with the Award may be deducted by the Company, and (ii) the recipient of taxable compensation of more than $1,000,000 for that taxable year.

(o) “Fair Market Value” shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(p) “Free Cash Flow” for a period shall mean net cash provided by operating activities of continuing operations less additions to property, plant and equipment.

(q) “Gross Profit” for a period shall mean net revenue less cost of revenue.

(r) “Gross Profit Margin” for a period shall mean Gross Profit divided by net revenue.

(s) “Incentive Stock Option” shall mean an option granted under Section 6 that is intended to meet the requirements of Section 422 of the Code, or any successor provision thereto.

(t) “Involuntary Termination” shall mean a Termination of Employment, other than for cause, due to the independent exercise of unilateral authority of TI to terminate the Participant’s services, other than due to the Participant’s implicit or explicit request, where the Participant was willing and able to continue to perform services, in accordance with Treas. Reg. § 1.409A-1(n)(1) or any successor provision.

(u) “Manufacturing Process Yield” shall mean the good units produced as a percent of the total units processed.

(v) “Market Share” shall mean the percent of sales of the total available market in an industry, product line or product attained by the Company or one or more of its business units, product lines or products during a time period.

(w) “Net Revenue Per Employee” in a period shall mean net revenue divided by the average number of employees, with average defined as the sum of the number of employees at the beginning and ending of the period divided by two.

(x) “Non-Qualified Stock Option” shall mean an option granted under Section 6 that is not intended to be an Incentive Stock Option.

(y) “Option” shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(z) “Other Stock-Based Award” shall mean any right granted under Section 10.
(aa) “Participant” shall mean an individual granted an Award under the Plan.
(bb) “Performance Unit” shall mean any right granted under Section 8.
(cc) “Plan” shall mean this Texas Instruments 2009 Long-Term Incentive Plan.
(dd) “Operating Profit” shall mean revenue less (i) cost of revenue, (ii) research and development expense and (iii) selling, general and administrative expense.
(ee) “Restricted Stock” shall mean any Share granted under Section 7.
(ff) “Restricted Stock Unit” shall mean a contractual right granted under Section 7 that is denominated in Shares, each of which represents a right to receive the value of a Share (or a percentage of such value, which percentage may be higher than 100%) on the terms and conditions set forth in the Plan and the applicable Award Agreement.
(gg) “Return on Assets” for a period shall mean net income divided by average total assets, with average defined as the sum of the amount of assets at the beginning and ending of the period divided by two.
(hh) “Return on Capital” for a period shall mean net income divided by stockholders’ equity.
(ii) “Return on Common Equity” for a period shall mean net income divided by total stockholders’ equity, less amounts, if any, attributable to preferred stock.
(jj) “Return on Invested Capital” for a period shall mean net income divided by the sum of stockholders’ equity and long-term debt.
(kk) “Return on Net Assets” for a period shall mean net income divided by the difference of average total assets less average non-debt liabilities, with average defined as the sum of assets or liabilities at the beginning and ending of the period divided by two.
(ll) “Revenue Growth” shall mean the percentage change in revenue from one period to another.
(mm) “Shares” shall mean shares of the common stock of the Company, $1.00 par value.
(nn) “Specified Employee” shall mean an employee who is a “specified employee” (as defined in Section 409A(2)(b)(i) of the Code) for the applicable period, as determined by the Committee in accordance with Treas. Reg. § 1.409A-1(i) or any successor provision.
(oo) “Stock Appreciation Right” or “SAR” shall mean any right granted pursuant to Section 9 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or any date or dates during a specified period before the date of exercise over (ii) the grant price of the right, which grant price, except in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on the date of grant of the right.
(pp) “Substitute Awards” shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.
(qq) “Termination of Employment” shall mean the date on which the Participant has incurred a “separation from service” within the meaning of Treas. Reg. § 1.409A-1(h) or any successor provision.
(rr) “TI” shall mean and include the Company and its Affiliates.
(ss) “Total Stockholder Return” shall mean the sum of the appreciation in stock price and dividends paid on common stock over a given period of time.

SECTION 3. *Eligibility.*

(a) Any individual who is employed by the Company or any Affiliate, and any individual who provides services to the Company or any Affiliate as an independent contractor, including any officer or employee-director, shall be eligible to be selected to receive an Award under the Plan.
(b) An individual who has agreed to accept employment by, or to provide services to, the Company or an Affiliate shall be deemed to be eligible for Awards hereunder as of commencement of employment.
(c) Directors who are not full-time or part-time officers or employees are not eligible to receive Awards hereunder.
(d) Holders of options and other types of Awards granted by a company acquired by the Company or with which the Company combines are eligible for grant of Substitute Awards hereunder.

SECTION 4. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee shall be appointed by the Board. A director may serve as a member or alternate member of the Committee only during periods in which the director is (i) independent within the meaning of the rules of The NASDAQ Stock Market and the Company's director independence standards and (ii) an "outside director" as described in Section 162(m) of the Code.

(b) Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards, or other property, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine, consistent with Section 11(g), whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, including adopting sub-plans and addenda for Participants outside the United States to achieve favorable tax results or facilitate compliance with applicable laws; (ix) determine whether and to what extent Awards should comply or continue to comply with any requirement of statute or regulation; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, the stockholders and the Participants.

SECTION 5. *Shares Available for Awards.*

(a) Subject to adjustment as provided in this Section 5, the number of Shares available for issuance under the Plan shall be 75,000,000 shares, plus an additional 40,000,000 shares as approved by stockholders on April 21, 2016. Notwithstanding the foregoing and subject to adjustment as provided in Section 5(e), no Participant may receive Options and SARs under the Plan in any calendar year that relate to more than 4,000,000 Shares.

(b) If, after the effective date of the Plan, (i) any Shares covered by an Award, or to which such an Award relates, are forfeited or (ii) any Award expires or is cancelled or otherwise terminated, then the number of Shares available for issuance under the Plan shall increase, to the extent of any such forfeiture, expiration, cancellation or termination. For purposes of this Section 5(b) awards and options granted under any previous option or long-term incentive plan of the Company (other than a Substitute Award granted under any such plan) shall be treated as Awards. For the avoidance of doubt, the number of Shares available for issuance under the Plan shall not be increased by: (i) the withholding of Shares as a result of the net settlement of an outstanding Option or SAR; (ii) the delivery of Shares to pay the exercise price or withholding taxes relating to an Award; or (iii) the repurchase of Shares on the open market using the proceeds of an Option's exercise.

(c) Any Shares underlying Substitute Awards shall not be counted against the Shares available for granting Awards.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares, of treasury Shares or of both.

(e) In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall equitably adjust any or all of (i) the number and type of Shares (or other securities or property) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 5(a), (ii) the number and type of Shares (or other securities, cash or property) subject to outstanding Awards, and (iii) the grant, purchase, or exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award; *provided*, *however*, that the number of Shares subject to any Award denominated in Shares shall always be a whole number. Any such adjustment with respect to a "stock right" outstanding under the Plan, as defined in Section 409A of the Code, shall be made in a manner that is intended to avoid the imposition of any additional tax or penalty under Section 409A.

SECTION 6. *Options.*

(a) The Committee is hereby authorized to grant Options to Participants with the terms and conditions described in this Section 6 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(b) The purchase price per Share under an Option shall be determined by the Committee; *provided*, *however*, that, except in the case of Substitute Awards, such purchase price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(c) The term of each Option shall be fixed by the Committee but shall not exceed 10 years; *provided*, *however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant's death to achieve favorable tax results or comply with local law.

(d) The Committee shall determine the time or times at which an Option may be exercised in whole or in part, and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other Awards, or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(e) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder, but the Company makes no representation that any options will qualify, or continue to qualify as an Incentive Stock Option and makes no covenant to maintain Incentive Stock Option status.

SECTION 7. *Restricted Stock and Restricted Stock Units.*

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the terms and conditions described in this Section 7 and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock.

(d) Except as otherwise determined by the Committee, upon termination of employment or cessation of the provision of services (as determined under criteria established by the Committee) for any reason during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units still, in either case, subject to restriction shall be forfeited and reacquired by the Company; *provided*, *however*, that the Committee may, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

SECTION 8. *Performance Units.*

(a) The Committee is hereby authorized to grant Performance Units to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) Subject to the terms of the Plan, a Performance Unit granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards, or other property and (ii) shall confer on the holder thereof rights valued as determined by the Committee and payable to, or exercisable by, the holder of the Performance Unit, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Unit granted and the amount of any payment or transfer to be made pursuant to any Performance Unit shall be determined by the Committee.

SECTION 9. *Stock Appreciation Rights (SARs).*

(a) The Committee is hereby authorized to grant SARs to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.
(b) The term of each SAR shall be fixed by the Committee but shall not exceed 10 years; *provided*, *however*, that the Committee may provide for a longer term to accommodate regulations in non-U.S. jurisdictions that require a minimum exercise or vesting period following a Participant's death.

SECTION 10. *Other Stock-based Awards.*

The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan, the Committee shall determine the terms and conditions of such Awards. Shares or other securities delivered pursuant to a purchase right granted under this Section 10 shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms, including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, as the Committee shall determine, the value of which consideration, as established by the Committee, shall, except in the case of Substitute Awards, not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

SECTION 11. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.
(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.
(c) Subject to the terms of the Plan, payments or transfers to be made by the Company upon the grant, exercise or settlement of an Award may be made in such form or forms as the Committee shall determine including, without limitation, cash, Shares, other securities, other Awards, or other property, or any combination thereof, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with Section 11(g) and rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or, with respect only to Awards other than Options and SARs, the grant or crediting of dividend equivalents in respect of installment or deferred payments.
(d) Unless the Committee shall otherwise determine, (i) no Award, and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; *provided*, *however*, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant; (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative; and (iii) no Award, and no right under any such Award, may be pledged, alienated, attached, or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.
(e) All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal, state or foreign securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.
(f) Every Award (other than an Option or SAR) to a member of the Executive Group that the Committee intends to constitute "qualified performance-based compensation" for purposes of Section 162(m) of the Code shall include a pre-established formula, such that payment, retention or vesting of the Award is subject to the achievement during a performance period or periods, as determined by the Committee, of a level or levels, on an absolute basis or relative to

other companies, as determined by the Committee, of one or more of the following performance measures: (i) Cash Flow, (ii) Cycle Time, (iii) Earnings Before Income Taxes, (iv) Earnings Per Share, (v) EBITDA, (vi) Free Cash Flow, (vii) Gross Profit, (viii) Gross Profit Margin, (ix) Manufacturing Process Yield, (x) Market Share, (xi) net income, (xii) Net Revenue Per Employee, (xiii) Operating Profit, (xiv) Return on Assets, (xv) Return on Capital, (xvi) Return on Common Equity, (xvii) Return on Invested Capital, (xviii) Return on Net Assets, (xix) Revenue Growth or (xx) Total Stockholder Return. For any Award subject to any such pre-established formula, no more than $5,000,000 can be paid in satisfaction of such Award to any Participant, *provided*, *however*, that if the performance formula relating to such Award is expressed in Shares, the maximum limit shall be 4,000,000 Shares in lieu of such dollar limit.

(g) Unless the Committee expressly determines otherwise in the Award Agreement, any Award of an Option, SAR, or Restricted Stock is intended to qualify as a stock right exempt under Section 409A of the Code, and the terms of the Award Agreement and any related rules and procedures adopted by the Committee shall reflect such intention. Unless the Committee expressly determines otherwise in the Award Agreement, with respect to any other Award that would constitute deferred compensation within the meaning of Section 409A of the Code, the Award Agreement shall set forth the time and form of payment and the election rights, if any, of the holder in a manner that is intended to avoid the imposition of additional taxes and penalties under Section 409A. The Company makes no representation or covenant that any Award granted under the Plan will comply with Section 409A.

(h) The Committee shall not have the authority to provide in any Award granted hereunder for the automatic award of an Option upon the exercise or settlement of such Award.

(i) This Section 11(i) applies with respect to Awards granted on or after January 1, 2010. If a Participant experiences an Involuntary Termination within 24 months after a Change in Control, then unless specifically provided to the contrary in any Award Agreement or the Committee otherwise determines under authority granted elsewhere in the Plan,

  (1) Awards held by the Participant shall become fully vested and exercisable, and any restrictions applicable to the Awards shall lapse, upon the effective date of such termination;

  (2) to the extent permitted without additional tax or penalty by Section 409A of the Code, the shares underlying Restricted Stock Units, Performance Units or other Stock-Based Awards held by the Participant will be issued on, or as soon as practicable (but no later than 60 days) after, the Participant's Involuntary Termination, provided, however, that if the Participant is a Specified Employee upon such termination, the shares will be issued on, or as soon as practicable (but no more than 10 days) after, the first day of the seventh month following such Involuntary Termination; and

  (3) to the extent that the issuance of shares as specified in (2) above is not permitted without additional tax or penalty by Section 409A, the Award will continue to full term and the shares will be issued at the issuance date specified in the Award Agreement as if the Participant were still an employee of TI on such date.

SECTION 12. *Amendment and Termination.*

(a) Unless otherwise expressly provided in an Award Agreement or in the Plan, the Board may amend, alter, suspend, discontinue, or terminate the Plan or any portion thereof at any time; *provided*, *however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) stockholder approval if such approval is necessary to comply with the listing requirements of The NASDAQ Stock Market or (ii) the consent of the affected Participants, if such action would adversely affect the rights of such Participants under any outstanding Award. Notwithstanding anything to the contrary herein, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction outside the United States in a tax-efficient manner and in compliance with local rules and regulations.

(b) The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue or terminate, any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or beneficiary of an Award, *provided*, *however*, that (i) no such action shall impair the rights of any affected Participant or holder or beneficiary under any Award theretofore granted under the Plan; (ii) except as provided in Section 5(e), no such action shall reduce the exercise price of any Option or SAR established at the time of grant thereof; and (iii) except in connection with a corporate transaction involving the Company (including an event described in Section 5(e)), an Option or SAR may not be terminated in exchange for (x) a cash amount greater than the excess, if any, of the Fair Market Value of the underlying Shares on the date of cancellation over the exercise price times the number of Shares outstanding under the Award (the "Award Value"), (y) another Option or SAR with an exercise price that is less than the exercise price of the cancelled Option or SAR, or (z) any other type of Award. For avoidance of doubt, in connection with a corporate transaction involving the Company (including an event described in Section 5(e)), any Award may be terminated in exchange for a cash payment, and such payment is not required to exceed the Award Value. Notwithstanding the foregoing, the Committee may terminate Awards granted in any jurisdiction outside the United States prior to their expiration date for consideration determined by the Committee when, in the Committee's judgment, the administrative burden of continuing Awards in such locality outweighs the benefit to the Company. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. The Committee also may modify any outstanding Awards to comply with Section 409A without consent from Participants. The Company makes no representation or covenant that any action taken pursuant to this Section 12(b) will comply with Section 409A.

(c) The Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of changes in applicable laws, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such action taken with respect to an Award intended to be a stock right exempt under Section 409A of the Code shall be consistent with the requirements for exemption under Section 409A, and any such action taken with respect to an Award that constitutes deferred compensation under Section 409A shall be in compliance with the requirements of Section 409A. However, the Company makes no representation or covenants that Awards will comply with Section 409A.

(d) The Committee may correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

SECTION 13. *Miscellaneous.*

(a) No employee, independent contractor, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, independent contractors, Participants, or holders or beneficiaries of Awards, either collectively or individually, under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient.

(b) The Committee may delegate to another committee of the Board, one or more officers or managers of the Company, or a committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to, or to cancel, modify, waive rights with respect to, alter, discontinue, suspend or terminate Awards held by, employees who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended; *provided*, *however*, that any such delegation to management shall conform with the requirements of the General Corporation Law of Delaware, as in effect from time to time.

(c) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards, or other property) of withholding taxes (including income tax, social insurance contributions, payment on account and other taxes) due in respect of an Award, its exercise, or any payment or transfer of Shares, cash or property under such Award or under the Plan and to take such other action (including, without limitation, providing for elective payment of such amounts in cash, Shares, other securities, other Awards or other property by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations of the Company for the payment of such taxes.

(d) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or service of the Company or any Affiliate. Further, the Company or the applicable Affiliate may at any time dismiss a Participant from employment or terminate the services of an independent contractor, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

SECTION 14. *Effective Date of the Plan.*

The Plan shall be effective as of the date of its approval by the stockholders of the Company.

SECTION 15. *Term of the Plan.*

No Award shall be granted under the Plan after ~~the tenth anniversary of the effective date~~April 21, 2026. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee and the Board under Section 12 to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and to amend the Plan, shall extend beyond such date.

SECTION 16. *Governing Law.*

The Plan shall be construed in accordance with and governed by the laws of the State of Texas without giving effect to the principles of conflict of laws thereof.

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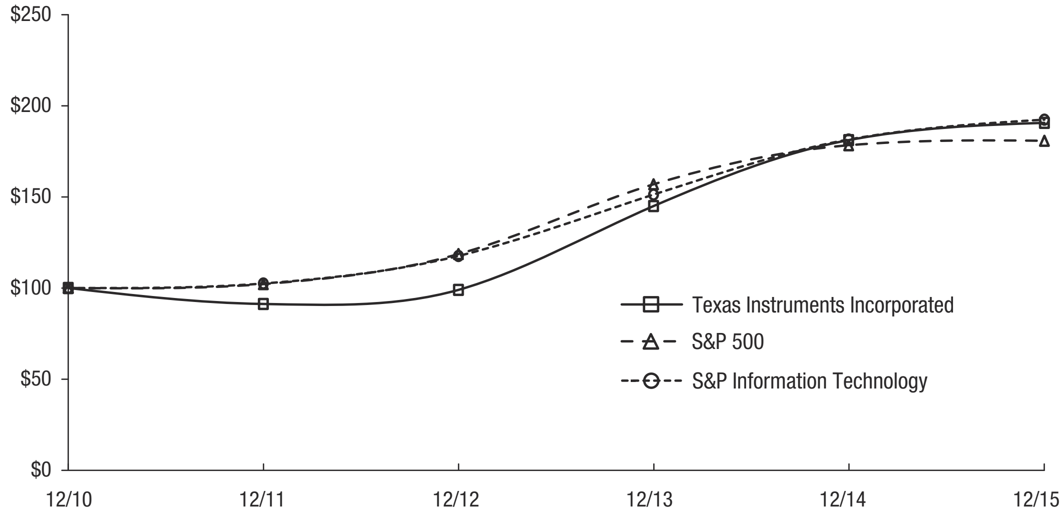
OTHER INFORMATION

Comparison of total shareholder return

This graph compares TI's total shareholder return with the S&P 500 Index and the S&P Information Technology Index over a five-year period, beginning December 31, 2010, and ending December 31, 2015. The total shareholder return assumes $100 invested at the beginning of the period in TI common stock, the S&P 500 Index and the S&P Information Technology Index. It also assumes reinvestment of all dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Texas Instruments Incorporated, the S&P 500 Index, and the S&P Information Technology Index



	12/10	12/11	12/12	12/13	12/14	12/15
Texas Instruments Incorporated	100.00	91.11	99.02	144.84	181.19	190.58
S&P 500	100.00	102.11	118.45	156.82	178.29	180.75
S&P Information Technology	100.00	102.41	117.59	151.03	181.40	192.15

Notice regarding forward-looking statements

This Annual Report includes forward-looking statements intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by phrases such as TI or its management "believes," "expects," "anticipates," "foresees," "forecasts," "estimates" or other words or phrases of similar import. Similarly, statements herein that describe TI's business strategy, ability to grow and generate cash and profitability in the future, outlook, objectives, plans, intentions or goals also are forward-looking statements. All such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those in forward-looking statements. For a more detailed discussion of these factors see the risk factors discussion that begins on page 8 of this report. Forward-looking statements in this report are made only as of the date of this report and we undertake no obligation to update them to reflect subsequent events or circumstances.

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Board of directors, executive officers

Directors

Richard K. Templeton
Chairman of the Board,
President and
Chief Executive Officer,
Texas Instruments Incorporated

Ralph W. Babb, Jr.
Chairman of the Board and
Chief Executive Officer,
Comerica Incorporated and
Comerica Bank

Mark A. Blinn
President and
Chief Executive Officer,
Flowserve Corporation

Daniel A. Carp
Retired Chairman of the Board
and Chief Executive Officer,
Eastman Kodak Company

Janet F. Clark
Retired Executive Vice President and
Chief Financial Officer,
Marathon Oil Corporation

Carrie S. Cox
Chairman of the Board and
Chief Executive Officer,
Humacyte, Inc.

Ronald Kirk
Senior Of Counsel,
Gibson, Dunn & Crutcher LLP

Pamela H. Patsley
Executive Chairman,
MoneyGram International, Inc.

Robert E. Sanchez
Chairman of the Board and
Chief Executive Officer,
Ryder System, Inc.

Wayne R. Sanders
Retired Chairman of the Board
and Chief Executive Officer,
Kimberly-Clark Corporation

Ruth J. Simmons
President Emerita,
Brown University

Christine Todd Whitman
President,
The Whitman Strategy Group

Executive officers

Richard K. Templeton
Chairman of the Board,
President and
Chief Executive Officer

Stephen A. Anderson
Senior Vice President

Brian T. Crutcher
Executive Vice President

R. Gregory Delagi
Senior Vice President

Kevin P. March
Senior Vice President and
Chief Financial Officer

Kevin J. Ritchie
Senior Vice President

Cynthia Hoff Trochu
Senior Vice President,
Secretary and
General Counsel

Teresa L. West
Senior Vice President

Darla H. Whitaker
Senior Vice President

Bing Xie
Senior Vice President

TI Fellows

TI Fellows are engineers, scientists or technologists who are recognized by peers and TI management for outstanding performance. Fellows are elected or re-elected every five years based on exceptional technical contributions that significantly add to TI's shareholder value.

TI Fellows announced in 2015:

- Ajith Amerasekera
- Anand G. Dabak
- Alfred J. Griffin, Jr.
- Roy Alan Hastings
- Anthony M. Hill
- Sreenivasan Koduri
- Robert A. Neidorff

Stockholder and other information

Stockholder records information

Stockholder correspondence:
Computershare
P. O. Box 30170
College Station, TX 77842-3170

Overnight correspondence:
Computershare
211 Quality Circle, Suite 210
College Station, TX 77845

Toll free: 800-981-8676
Phone: 312-360-5151

Website: www.computershare.com/investor
For online inquiries: https://www-us.computershare.com/investor/contact

SEC Form 10-K

A copy of the company's annual report to the Securities and Exchange Commission on Form 10-K is available on the Investor Relations website at www.ti.com/ir.

Copies of the Form 10-K, including a list of exhibits and any exhibit specifically requested, are available without charge by writing to:
Texas Instruments Investor Relations
P.O. Box 660199, MS 8657
Dallas, TX 75266-0199

TEXAS INSTRUMENTS

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