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 January 2, 2016
Commission File Number: 1-12441

ST. JUDE MEDICAL, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-1276891**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One St. Jude Medical Drive **St. Paul, Minnesota 55117** (Address of principal executive offices, including zip code)	**(651) 756-2000** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock ($.10 par value)	**New York Stock Exchange**
(Title of class)	(Name of exchange on which registered)

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, 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 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 is not contained herein, and will not be contained, to the best of 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. (Check one):

Large accelerated filer ☒		Accelerated filer ☐
Non-accelerated filer ☐	(Do not check if a smaller reporting company)	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 the voting and non-voting stock held by non-affiliates of the registrant was $20.6 billion at July 2, 2015 (the last business day of the registrant's most recently completed second fiscal quarter), when the closing sale price of such stock, as reported on the New York Stock Exchange, was $73.03 per share.

The registrant had 283,616,926 shares of its $0.10 par value Common Stock outstanding as of February 19, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2016 Annual Meeting of Shareholders are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

St. Jude Medical was incorporated in Minnesota in 1976. The Company's ticker symbol is STJ. References to “St. Jude Medical, Inc.,” “St. Jude,” “the Company,” “we,” “us” and “our” are to St. Jude Medical, Inc. and its subsidiaries.

Availability of SEC Reports

We make available, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) as soon as reasonably practical after they are filed or furnished to the U.S. Securities and Exchange Commission (SEC). Such reports are available on our website (http://www.sjm.com) under *Investors – Reports & Filings – SEC Filings* . Information included on our website is not deemed to be incorporated into this Form 10-K. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The public can obtain any documents that the Company files with the SEC at http://www.sec.gov.

General

St. Jude Medical, Inc., together with its subsidiaries is focused on the development, manufacture and distribution of cardiovascular medical devices for the global cardiac rhythm management, cardiovascular and atrial fibrillation therapy areas, and interventional pain therapy and neurostimulation devices for the management of chronic pain and movement disorders. We operate as a single operating segment and derive our revenues from seven principal product categories. Our seven principal product categories are as follows: tachycardia implantable cardioverter defibrillator (ICD) systems; atrial fibrillation (AF) products (electrophysiology (EP) introducers and catheters, advanced cardiac mapping, navigation and recording systems and ablation systems); bradycardia pacemaker (pacemaker) systems; vascular products (vascular closure products, pressure measurement guidewires, optical coherence tomography (OCT) imaging products, vascular plugs, heart failure monitoring devices and other vascular accessories); structural heart products (heart valve replacement and repair products and structural heart defect devices); neuromodulation products (spinal cord stimulation and radiofrequency ablation to treat chronic pain and deep brain stimulation to treat movement disorders); and Thoratec products (ventricular assist devices and percutaneous heart pumps). We market and sell our products world-wide primarily through a direct sales force.

On January 13, 2016, we announced that we would change our sales reporting starting in 2016 to closely align with how we will manage the business in five key areas: Heart Failure (HF), Atrial Fibrillation, Neuromodulation, Cardiovascular Disease and Traditional Cardiac Rhythm Management. Our sales results were managed on the basis of our existing product categories through 2015, with the intention that sales reporting be managed under the new classification once it is fully effective in the first quarter of 2016.

We are focused on improving our operating margins through a variety of techniques, including the production of high quality products, the development of leading edge technology, the enhancement of our existing products and continuous improvement of our manufacturing processes. We expect competitive pressures in the industry, global economic conditions, cost containment pressure on healthcare systems and the implementation of U.S. healthcare reform legislation to continue to place downward pressure on prices for our products, impact reimbursement for our products and potentially reduce medical procedure volumes.

In 2010, significant U.S. healthcare reform legislation, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively PPACA), was enacted into law. As a U.S.-headquartered company with significant sales in the United States, this healthcare reform law has had, and is expected to continue to have, a material impact on us and on the U.S. healthcare system, more generally. Beginning in 2013, the law levied an annual 2.3% excise tax on the majority of our U.S. medical device sales, reduced the annual rate of inflation for Medicare payments to hospitals and called for the establishment of the Independent Payment Advisory Board to recommend strategies for reducing growth in Medicare spending. The law also focused on a number of Medicare provisions aimed at improving quality and decreasing costs, such as value-based payment programs, increased funding of comparative effectiveness research, reduced hospital payments for avoidable readmissions and hospital acquired conditions, and pilot programs to evaluate alternative payment methodologies that promote care coordination (such as bundled physician and hospital payments). The Consolidated Appropriations Act, 2016 (H.R. 2029), however, was signed into law in December 2015 and placed a

moratorium on the 2.3% tax in both 2016 and 2017. We cannot predict what future healthcare legislation will be implemented at the federal or state level, nor the effect of any future legislation or regulation. However, any changes that lower reimbursement for our products or reduce medical procedure volumes could adversely affect our business and results of operations.

Principal Products

The following table presents net sales to external customers for our seven major product categories (in millions):

Net Sales	2015	2014	2013
ICD Systems	$ 1,582	$ 1,746	$ 1,741
Atrial Fibrillation Products	1,096	1,044	957
Pacemaker Systems	941	1,047	1,042
Vascular Products	716	709	704
Structural Heart Products	595	639	631
Neuromodulation Products	475	437	426
Thoratec Products	136	—	—
Net sales	$ 5,541	$ 5,622	$ 5,501

ICD Systems: Tachycardia implantable cardioverter defibrillator (ICD) systems and cardiac resynchronization therapy defibrillator (CRT-D) devices treat patients with tachycardia. ICDs and CRT-Ds are typically implanted underneath the collarbone and are connected to the heart by leads (wires) that carry electrical impulses to the heart. An ICD monitors the heartbeat and delivers high-energy electrical impulses, or “shocks,” to regulate the heart's rhythm and treat ventricular tachycardia (VT) and ventricular fibrillation (VF) -- which often lead to sudden cardiac death (SCD). A CRT-D device resynchronizes the beating of the ventricles and provides backup treatment for SCD. Physicians and healthcare professionals also use programmers and remote monitoring equipment to analyze device data from ICDs and CRT-devices.

Our primary ICD Systems' competitors include Medtronic plc. (Medtronic), Boston Scientific, Inc. (Boston Scientific), Biotronik International (Biotronik) and LivaNova plc. (LivaNova).

Atrial Fibrillation Products: Atrial fibrillation products provide access, diagnostic, visualization and ablation products to assist physicians in diagnosing and treating various irregular heart rhythms. Ablation technologies are primarily designed to be used in the electrophysiology (EP) lab to guide and facilitate the percutaneous delivery of catheters to areas of the heart where arrhythmias occur. Access products enable clinicians to facilitate the percutaneous delivery of diagnostic and ablation catheters to areas of the heart where arrhythmias occur. Diagnostic products gather electrical information from the heart to help determine the cause of an arrhythmia, the location of its source and allow clinicians to move the catheter tip in precise movements to diagnose the more anatomically challenging areas within the heart. Visualization products enable the physician to check for electrical isolation of the pulmonary vein openings during an AF ablation procedure and are designed to create high-density heart chamber models, including three-dimensional cardiac models and detailed electrical maps. Ablation products focus on disabling abnormal tissue that cause or perpetuate arrhythmias.

Our primary Atrial Fibrillation Products' competitors include Johnson & Johnson, Inc (J&J), Medtronic and Boston Scientific.

Pacemaker Systems: Pacemakers treat patients with bradycardia. Similar to ICDs and CRT-Ds, pacemakers are typically implanted underneath the collarbone and connected to the heart by leads, although some do not require the need to surgically create a pocket or use leads. Pacemakers monitor the patient's heart rate and, when necessary, deliver low-voltage electrical impulses to stimulate an appropriate heartbeat. Single-chamber pacemakers sense and stimulate only one chamber of the heart (atrium or ventricle), while dual-chamber devices can sense and pace both the upper atrium and lower ventricle chambers. Biventricular pacemakers can sense and pace in three chambers (atrium and both ventricle chambers) of the heart and are referred to as cardiac resynchronization therapy pacemaker (CRT-P) devices. Similar to ICDs and CRT-Ds, physicians and healthcare professionals use programmers and remote monitoring equipment to analyze device data and adjust patient treatment, as necessary.

Our primary Pacemaker Systems' competitors include Medtronic, Boston Scientific, Biotronik and LivaNova.

Vascular Products: Vascular products include active vascular closure devices, compression assist devices, pressure measurement guidewires, diagnostic coronary imaging technology, percutaneous catheter introducers, diagnostic guidewires, heart failure monitoring devices, renal denervation technology and vascular plugs. Vascular closure devices close femoral and radial artery puncture sites following percutaneous coronary interventions, diagnostic procedures and certain peripheral procedures. Compression assist devices close puncture sites of the radial and other arteries. Pressure measurement guidewires provide measurements of intravascular pressure during a cardiovascular procedure and aid physicians in determining which lesions need treatment. Diagnostic coronary imaging technology provides interventional cardiologists with supplemental information on the physiologic and anatomical characteristics of a target vessel. Percutaneous catheter introducers create passageways for cardiovascular catheters from outside the human body through the skin into a vein, artery or other location inside the body. Diagnostic guidewires aid in the introduction of intravascular catheters. HF monitoring devices, include devices with wireless sensors that provide non-invasive hemodynamic data to physicians via the internet in the physician’s office, clinic, hospital or most often, in the patient’s home. Renal denervation technology is a multi-electrode ablation technology used to reduce blood pressure. Vascular plugs are expandable, cylindrical devices that reduce, redirect or eliminate blood flow to unwanted blood vessels.

Our primary Vascular Products' competitors include Abbott Laboratories, J&J, Cardinal Health, Inc., Koninklijke Philips N.V. and Boston Scientific.

Structural Heart Products: Structural Heart Products include heart valve replacement and repair products and structural heart defect devices, all of which are used to facilitate blood flow from the chambers of the heart throughout the entire body. Heart valve replacement and repair products include mechanical heart and tissue heart valves. Structural heart defect devices include closure devices that treat congenital heart defects, including atrial septal defects and patent ductus arteriosus defects, seal holes in the septum between the right and left sides of the heart and reduce the risk of ischemic stroke in patients with AF.

Our primary Structural Heart Products' competitors include Edwards Lifesciences Corporation, Medtronic and Boston Scientific.

Neuromodulation Products: Neuromodulation products provide neurostimulation therapy to treat chronic pain and movement disorders. Neurostimulation therapies include spinal cord stimulation (SCS) and radiofrequency ablation for the treatment of chronic pain and deep brain stimulation (DBS) for treating the symptoms of Parkinson's disease, primary and secondary dystonia and tremor. Similar to ICDs and pacemakers, a neurostimulation system includes an implantable device called an implantable pulse generator (IPG) that is typically implanted underneath the skin in the abdomen or upper buttock and produces an electrical current that is carried by leads to the targeted anatomical structure. Additionally, an external patient remote control is used to enable the patient to control his or her therapy within prescribed ranges, and an external clinician programmer is used to access all programming options of the implanted device to tailor therapy to the patient. In addition to SCS, radiofrequency ablation (RFA) is used to treat chronic spinal pain along with several peripheral areas that are not well treated with a neurostimulation system. Radiofrequency (RF) nerve ablation employs heat to disable pain-transmitting nerves and is used to treat a variety of chronic pain syndromes.

Our primary Neuromodulation Products' competitors include Medtronic, Boston Scientific, Nevro Corp. and Stryker Corporation.

Thoratec Products: Thoratec Products include ventricular assist devices and percutaneous heart pumps, both of which facilitate blood flow from the chambers of the heart throughout the entire body. Specifically, ventricular assist devices provide mechanical circulatory support for the treatment of HF patients by supplementing the pumping function of the heart. Percutaneous heart pumps continuously generate average blood flow through a percutaneous insertion during complex revascularization procedures.

Our primary Thoratec Products' competitors include AbioMed, Inc. and HeartWare International, Inc.

Competition

The medical device market is intensely competitive and is characterized by extensive research and development and rapid technological change. Our customers consider many factors when choosing suppliers, including product reliability, clinical outcomes, product enhancements, breadth of product portfolio, pricing and product services provided by the manufacturer and product availability. As a result, market share can shift as a result of technological innovation and other business factors. Major shifts in industry market share have also occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance of product quality in the medical device industry, and any quality problems with our processes, goods and services could harm our reputation for producing high-quality products and erode our competitive advantage, sales and market share. Our competitors range from small start-up companies to larger companies that have significantly greater resources and broader product offerings than us, and we anticipate that in the coming years, other small and large companies will enter certain markets in which we currently hold a strong position. Furthermore, our industry has experienced significant consolidation in recent years. Certain of our competitors have been able to expand their portfolio of products and services through this consolidation process, and they are able to offer customers a broader array of products and services than we can thereby, in some instances, providing them a competitive advantage in the market. In addition, we expect that competition will continue to intensify and we have seen increasing price competition as a result of managed care, consolidation among healthcare providers, increased competition and declining reimbursement rates. Product introductions or enhancements by competitors that have advanced technology, better features and/or lower pricing may make our products or proposed products obsolete or less competitive. Some of our product categories, such as the neurostimulation therapies and structural heart defect devices, have higher barriers to entry due to the long and expensive product development and/or regulatory approval process as well as certain existing intellectual property and patent positions. Other companies, however, may be able to enter these markets by leveraging their existing medical device capabilities, thereby decreasing the time and resources required to enter a certain market.

Government Regulation

The development, manufacturing and marketing of our products is subject to extensive and rigorous regulation by government agencies, both within and outside the United States, including but not limited to the Food and Drug Administration (FDA) and the relevant authorities in the member states of the European Union (EU Member States). In the United States, the Federal Food, Drug and Cosmetic Act (FDCA) and FDA regulations govern the composition, labeling, testing, clinical study, manufacturing, packaging, marketing and distribution of medical devices.

Unless exempt, all medical devices must receive FDA clearance or approval before they can be commercially marketed in the United States. Class III devices, such as life-sustaining, life-supporting or implantable devices, require the submission and approval of a pre-market approval (PMA) application demonstrating that the new medical device is safe and effective for its intended use. For certain class I and class II devices that pose less risk, manufacturers must submit a pre-market notification to the FDA. The notification process, which is generally known as 510(k) clearance, requires manufacturers to demonstrate that the medical device is substantially equivalent to a legally marketed medical device. Premarket notification is also required if a manufacturer makes certain modifications to an already marketed 510(k) device. Human clinical data submitted to the FDA in a 510(k) or PMA must be gathered in compliance with the FDA Good Clinical Practice regulations. Our vascular closure devices, mechanical and tissue heart valves, ICDs, pacemakers and certain leads, neurostimulation devices and EP catheter applications require a PMA application or supplement to a PMA. Other leads and lead delivery tools, annuloplasty ring products, other neurostimulation devices and other EP and cardiology products are currently marketed under the less rigorous 510(k) pre-market notification procedure.

Both before and after a product is commercially released, we have ongoing responsibilities under FDA regulations. These include, but are not limited to:

- Establishment registration and product listing requirements;
- Quality System Regulation (QSR) requires manufacturers, including third-party manufacturers, to follow stringent design, testing, documentation and other quality assurance procedures during product design and throughout the manufacturing process;
- Labeling regulations and FDA prohibitions against the promotion of products for uncleared, unapproved or off-label uses and against making false and misleading product claims; and

- Medical device reporting regulations, which require that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if the malfunction were to recur.

The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections by the FDA to determine our compliance with the QSR and other regulations. Failure to comply with applicable regulatory requirements can result in enforcement action by the FDA, which may include any of the following sanctions:

- Fines, injunctions, consent decrees and civil penalties;
- Recall or seizure of our products;
- Operating restrictions, partial suspension or total shutdown of production;
- Refusing our requests for 510(k) clearance or PMA of new products or new intended uses;
- Refusing to provide documents needed to export products;
- Withdrawing 510(k) clearance or PMAs that are already granted; and
- Criminal prosecution.

The FDA also has the authority to require us to repair, replace or refund the cost of any medical device that we have manufactured or distributed.

Our international business is subject to foreign medical device laws. Most major markets for medical devices outside the United States require clearance, approval or compliance with certain standards before a product can be commercially marketed. The applicable laws range from extensive device approval requirements in some countries for all or some of our products, to requests for data or certifications in other countries. In the European Union, all medical devices must be CE-marked. The CE-mark represents a declaration by the manufacturer of the product that the product conforms to all relevant European regulatory requirements, including those relating to safety and performance. For devices categorized as medium- or high-risk devices, European legislation requires the use of a notified body to carry out a compliance assessment before manufacturers can place their products on the market. A “notified body” is an independent certification body that uses a series of independent criteria to evaluate a manufacturer’s compliance with the technical requirements of the relevant legislation. Each notified body is appointed and supervised by a national governmental authority in the European Union (a “competent authority”). The regulatory systems of the EU Member States have been harmonized so that a medical device that is CE-marked can be sold anywhere within the European Union. However, any national health authority can raise public health concerns and take appropriate measures to protect public health. Increasingly, notified bodies and competent authorities in EU Member States coordinate supervision and enforcement of medical device regulations. In the European Union, we are also required to maintain certain International Organization for Standardization (ISO) certifications in order to sell products, and we undergo periodic inspections by notified bodies to obtain and maintain these certifications.

Our products are purchased principally by healthcare providers that typically bill various third-party payors, such as governmental programs, private insurance plans and managed care plans for the healthcare services provided to their patients. Reimbursement varies from country to country and can significantly impact the acceptance of new technology. In the United States, Medicare payment to providers is based on prospective rates set by the Centers for Medicare and Medicaid Services (CMS). CMS uses separate Prospective Payment Systems for reimbursement to acute inpatient hospitals, hospital outpatient departments, and ambulatory surgery centers (ASCs). Diagnosis-related group (DRG) and Ambulatory Payment Classification (APC) reimbursement schedules dictate the amount that CMS will reimburse hospitals for care of persons covered by Medicare. In response to rising Medicare and Medicaid costs, from time to time Congress and state legislatures consider legislation to restrict funding for these programs and reduce federal payments to hospitals and other providers. For example, federal healthcare reform legislation enacted in 2010 mandated reductions in reimbursement to hospitals and ASCs, including a cut in the annual inflation increase in reimbursement rates. Reduced funding to Medicare and other federal healthcare programs could have an adverse effect on market demand and our domestic pricing flexibility.

More generally, major third-party payors for hospital services in the United States and abroad continue to work to contain healthcare costs. The introduction of cost containment incentives, combined with closer scrutiny of healthcare expenditures by both private health insurers and employers, has resulted in increased discounts and contractual adjustments to hospital charges for services performed and in the shifting of services from the inpatient to the outpatient setting. From time to time, initiatives to limit the growth of healthcare costs, including price

regulation, are implemented in countries in which we do business. Implementation of healthcare reform in the United States and in significant overseas markets may limit the reimbursement for our products.

As a medical device company, St. Jude Medical's operations and interactions with providers such as hospitals and healthcare professionals are subject to extensive regulation by various federal, state, and local government entities. For example, the federal False Claims Act provides, in part, that the federal government may bring a lawsuit against any person or entity that it believes has knowingly presented, or caused to be presented, a false or fraudulent request for payment to the government, or has made or used, or caused to be made or used, a false statement or false record material to a false claim. A violation of the False Claims Act could result in fines up to $11,000 (as adjusted for inflation) for each false claim, plus up to three times the amount of damages sustained by the government. A False Claims Act violation may also provide the basis for the imposition of administrative penalties and exclusion from participation in federal healthcare programs. Most states have enacted false claims acts that are similar to the federal False Claims Act.

The federal Anti-Kickback Statute (AKS) prohibits an entity such as St. Jude Medical from knowingly and willfully offering or paying remuneration, directly or indirectly, to induce any other person or entity (such as a hospital, physician, or other purchasers of medical products) to purchase, prescribe, arrange for or recommend products such as ours that are covered by federal healthcare programs. A violation of the AKS constitutes a felony offense punishable by imprisonment and civil and criminal fines. A violation also can result in exclusion from federal healthcare programs. Many states and foreign countries have enacted similar anti-kickback laws, some of which may apply regardless of the patient's payor source.

As a manufacturer of FDA-approved devices reimbursable by federal healthcare programs, we are subject to the Physician Payments Sunshine Act, which requires us to report annually to CMS certain payments and other transfers of value we make to U.S.-licensed physicians or U.S. teaching hospitals. Failure to comply with the Physician Payments Sunshine Act can result in a maximum annual penalty up to $150,000, or $1 million for knowing failures to report.

In addition, federal and state laws have also been enacted to protect the confidentiality of certain patient health information, including patient records, and restrict the unauthorized use and disclosure of this information. In particular, the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH), and their implementing regulations (collectively, HIPAA Standards), govern the use and disclosure of protected health information by "covered entities," which are healthcare providers that submit electronic claims, health plans and healthcare clearinghouses, as well as their "business associates" and their subcontractors. Our employee health benefit plans are considered "covered entities" and, therefore, are subject to the HIPAA Standards.

Additionally, we may function as a "business associate" in our commercial arrangements with healthcare providers using our Merlin.net™ Patient Care Network System or using the CardioMEMS™ product and, in this capacity, may be subject to the HIPAA Standards. Violations of the HIPAA Standards are punishable by civil penalties up to an annual limit of $1.5 million for all identical violations and criminal penalties up to an annual limit of $250,000 and ten years' imprisonment for certain knowing violations. Failure to comply with any state or foreign laws regarding personal data protection may also result in significant fines or penalties, lawsuits, costs associated with mitigating any privacy or security breach, and/or negative publicity.

In some jurisdictions, there are laws, regulations and guidance that regulate the use of certain animal material in medical devices because of concerns about Transmissible Spongiform Encephalopathy (TSE), such as Bovine Spongiform Encephalopathy, which is sometimes referred to as "mad cow disease", a disease which has sometimes been transmitted to humans through the consumption of beef. We are not aware of any reported cases of transmission of TSE through medical products. Nonetheless, some medical device regulatory agencies have considered and are considering whether to continue to permit the sale of medical devices that incorporate certain animal material. Some of our products such as Angio-Seal™ use bovine collagen. In addition, some of the tissue heart valves we market incorporate bovine and porcine pericardial material.

International Operations

The principal geographic markets for our products are the United States, Europe and Japan. Refer to the Results of Operations section in Item 7. "Management's Discussion and Analysis Results of Operations" for a detail of our net

sales by region and a discussion of their related results. No individual international-based country has a significant amount of long-lived assets.

Our international business is subject to special risks such as: foreign currency exchange controls and fluctuations; the imposition of or increase in import or export duties, surtaxes, tariffs or customs duties; the imposition of import or export quotas or other trade restrictions; foreign tax laws and increased costs associated with overlapping tax structures; longer accounts receivable cycles; and other international regulatory, economic, legal and political problems. These risks are further described in Item 1A., "Risk Factors." Currency exchange rate fluctuations relative to the U.S. Dollar can affect our reported consolidated results of operations and financial position. See Item 7A., "Qualitative and Quantitative Disclosures About Market Risk" for further information, including a discussion of our hedging program, that helps mitigate some of these foreign currency exchange rate risks.

Business Combinations and Investments

In addition to generating growth internally through our own research and development (R&D) and sales activities, we also make strategic acquisitions and investments from time to time to access new technologies, therapy areas and geographies. We expect to continue to make acquisitions and investments in future periods to strengthen our business. Refer to Note 2 to the *Consolidated Financial Statements* within Item 8. “Financial Statement and Supplementary Data” for additional information relating to acquisitions made in recent periods.

Seasonality

Our quarterly net sales are influenced by many factors, including new product introductions, acquisitions, regulatory approvals, patient and physician holiday schedules and other factors. Net sales in the third quarter are typically lower than other quarters of the year as a result of patient tendencies to defer, if possible, procedures during the summer months and from the seasonality of the U.S. and European markets, where summer vacation schedules normally result in fewer procedures.

Marketing and Distribution

Our products are sold in more than 100 countries throughout the world. No distributor organization or single customer accounted for more than 10% of our 2015, 2014 or 2013 consolidated net sales.

In the United States and Canada, we sell directly to healthcare providers primarily through a direct sales force. In Europe, we have direct sales organizations in 21 different countries, selling throughout Europe, the Middle East and Africa. In Japan, we sell directly to healthcare providers through a direct sales force, and we continue to use longstanding independent distributor relationships. In Asia Pacific, we have direct sales organizations in 10 different countries. In Latin America, we have direct sales organizations in five different countries. Some of our direct sales in Asia Pacific and Latin America also include sales to independent distributors. Throughout the rest of the world, we use a combination of direct sales forces and independent distributors.

Group purchasing organizations (GPO), independent delivery networks (IDN) and large single accounts such as the Veterans Administration in the United States continue to consolidate purchasing decisions for some of our healthcare provider customers. We have contracts in place with many of these organizations. In some circumstances, our inability to obtain a contract with a GPO or IDN could adversely affect our efforts to sell products to a particular healthcare provider.

Research and Development

Our R&D expenses were $676 million in 2015, $692 million in 2014 and $691 million in 2013. Our investment in R&D reflects our commitment to fund long-term growth opportunities while balancing short-term results. The markets in which we participate are dynamic and competitive. Our ongoing commitment to R&D investments is intended to provide patients with positive outcomes and innovation that will shape the markets in which we participate. Our R&D activities primarily include research, development, clinical and regulatory efforts. These efforts are primarily focused on product innovation that we anticipate will ultimately improve patient outcomes, reduce overall healthcare costs and provide economic value to our customers while providing the best possible technology available. Our most significant clinical trials as of January 2, 2016 are summarized as follows:

- *Portico Re-sheathable Transcatheter Aortic Valve System US IDE Trial* : The objective of this clinical trial is to evaluate the safety and effectiveness of the Portico Transcatheter Heart Valve and Delivery Systems (Portico) via transfemoral and alternative delivery methods. The clinical study will analyze the high risk

cohort and extreme risk cohort together against a commercially available control for the primary safety and effectiveness endpoints.

- *Thoratec Corporation MOMENTUM 3, Multi-center Study of MagLev Technology in Patients Undergoing MCS Therapy With HeartMate 3™ (HM3) IDE Clinical Study Protocol* : The objective of this clinical study is to evaluate the safety and effectiveness of the HM3 Left Ventricular Assist System (LVAS) by demonstrating non-inferiority to the HeartMate 2 ™ (HMII) LVAS when used for the treatment of advanced, refractory, left ventricular HF. The HM3 LVAS is intended to provide hemodynamic support in patients with advanced, refractory left ventricular HF; either for short term support, such as a bridge to cardiac transplantation or myocardial recovery, or as long term support, such as destination therapy. The HM3 is intended for use inside or outside the hospital.
- *Thoratec Corporation HeartMate PHP™ Coronary InterventionS in HIgh-Risk PatiEnts Using a Novel Percutaneous Left Ventricular Support Device (SHIELD II) study protocol* : The HeartMate PHP™ System is a temporary (less than 6 hour procedure) ventricular assist device indicated for use during high risk percutaneous coronary interventions (PCI) performed in elective or urgent, hemodynamically stable patients with severe coronary artery disease and depressed left ventricular ejection fraction. The trial objective is to assess the safety and efficacy of the HeartMate PHP™ in supporting patients with severe symptomatic coronary artery disease with diminished but stable cardiovascular function, who are undergoing elective or urgent high risk percutaneous coronary interventions (PCI) but are not candidates for coronary artery bypass graft (CABG) surgery. The trial is designed as a prospective, randomized, multi-center, open-label non-inferiority trial in the U.S. comparing HeartMate PHP™ to Abiomed® Impella® 2.5 percutaneous cardiac support system.

Patents, Licenses and Trademarks

Our policy is to protect our intellectual property rights related to our medical devices. Where appropriate, we apply for U.S. and foreign patents. We own or hold licenses to numerous U.S. and foreign patents. U.S. patents are typically granted for a term of twenty years from the date a patent application is filed. The actual protection afforded by a foreign patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. In those instances where we have acquired technology from third parties, we have sought to obtain rights of ownership to the technology through the acquisition of underlying patents or licenses.

We also have obtained certain trademarks and tradenames for our products to distinguish our products from our competitors' products. U.S. trademark registrations are for a term of ten years and are renewable every ten years as long as the trademarks are used in the regular course of trade. We register our trademarks in the U.S. and in a number of countries where we do business.

While we believe design, development, clinical and regulatory aspects of the medical device business represent the principal barriers to entry, we also rely on our patents, trade secrets, exclusive and non-exclusive license rights and non-disclosure and non-competition agreements to make it more difficult for competitors to market products similar to those we produce. Therefore, we also believe our patents and other intellectual property provide an important competitive advantage to our business.

We can give no assurance that any of our patent rights, whether issued, subject to license or in process, will not be circumvented or invalidated. Furthermore, there are numerous existing and pending patents on medical products and biomaterials. There can be no assurance that our existing or planned products do not or will not infringe such rights or that others will not claim such infringement. Our industry has extensive ongoing patent litigation which can lead to significant legal costs for indeterminate periods of time, injunctions against the manufacture or sale of infringing products and significant royalty payments. At any given time, we may be a plaintiff or defendant in such an action. No assurance can be given that we will be able to prevent competitors from challenging our patents or entering markets we currently serve.

Suppliers

We purchase raw materials and other products from numerous suppliers. Our manufacturing requirements comply with the rules and regulations of the FDA and comparable agencies in foreign countries, which mandate validation of materials prior to use in our products. We purchase certain supplies used in our manufacturing processes from single sources due to quality considerations, costs or constraints resulting from regulatory requirements. Agreements with certain suppliers are terminable by either party upon short notice, and we have been advised periodically by some suppliers that, in an effort to reduce their potential product liability exposure, they may terminate sales of products to customers that manufacture implantable medical devices. While some of these

suppliers have modified their positions and have indicated a willingness to continue to provide a product temporarily until an alternative vendor or product can be qualified (or even to reconsider the supply relationship), where a particular single-source supply relationship is terminated, we may not be able to establish additional or replacement suppliers for certain components or materials quickly. A reduction or interruption by a sole-source supplier of the supply of materials or key components used in the manufacturing of our products or an increase in the price of those materials or components could adversely affect our business, financial condition and results of operations.

Product Liability

The design, manufacture and sale of our medical devices entail an inherent risk of product liability claims. Our products are often used in intensive care settings with seriously ill patients, and many of the medical devices we manufacture and sell are designed to be implanted in the human body for long periods of time or indefinitely. There are a number of factors that could result in an unsafe condition or injury to, or death of, a patient with respect to these or other products which we manufacture or sell, including component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. Product liability claims may be brought by individuals or by groups seeking to represent a class.

Insurance

Consistent with industry practice, we do not currently maintain or intend to maintain any insurance policies with respect to product liability in the future. We believe that our self-insurance program, which is based on historical loss trends, will be adequate to cover future losses, although we can provide no assurances that this will remain true as historical trends may not be indicative of future losses. These losses could have a material adverse impact on our consolidated earnings, financial condition or cash flows.

Our facilities could be materially damaged by earthquakes, hurricanes and other natural disasters or catastrophic circumstances. Earthquake insurance is currently difficult to obtain, extremely costly, and restrictive with respect to scope of coverage. We do not currently maintain or intend to maintain earthquake insurance. Consequently, we could incur uninsured losses and liabilities arising from an earthquake near our California, Puerto Rico or Costa Rica facilities as a result of various factors, including the severity and location of the earthquake, the extent of any damage to our facilities, the impact of an earthquake on our workforce and on the infrastructure of the surrounding communities and the extent of damage to our inventory and work in process. These losses could have a material adverse effect on our business for an indeterminate period. Furthermore, our manufacturing facilities in Puerto Rico and Malaysia may suffer damage as a result of hurricanes and could result in lost production and additional expenses to us to the extent any such damage is not fully covered by our hurricane and business interruption insurance.

Employees

As of January 2, 2016, we had approximately 18,000 employees worldwide. Our employees are not represented by any labor organizations, with the exception of a limited number of employees in Europe and Brazil. We have never experienced a work stoppage as a result of labor disputes. We believe that our relationship with our employees is generally good.

Executive Officers of the Registrant

The following is a list of our executive officers as of February 19, 2016. For the present position, the date in parentheses indicates the year during which each executive officer began serving in such capacity.

Name	Age	Present Position	Other Positions Held 2011-2015
Michael T. Rousseau	60	President and Chief Executive Officer (2016)	Chief Operating Officer (2014-2015)
			Group President, Cardiovascular and Ablation Technologies Division, Implantable Electronic Systems Division and U.S. Division (2012-2014)
			Group President, Cardiac Rhythm Management Division, Neuromodulation Division, Atrial Fibrillation Division, Cardiovascular Division and U.S. Division (2009-2012)

Daniel J. Starks	61	Executive Chairman of the Board (2016)	Chairman (2004-2015), President (2001-2015) and Chief Executive Officer (2004-2015)
John C. Heinmiller	61	Executive Vice President (2004)	Chief Financial Officer (1998-2012)
Lisa M. Andrade	44	Vice President, Chief Marketing Officer (2014)	Senior Vice President, Global Strategy and Market Development (2013-2014)
			Senior Vice President, Marketing, U.S. Division (2011-2013)
			Vice President, Education and Market Development, U.S. Division (2011)
			Vice President, Connectivity, U.S. Division (2010-2011)
I. Paul Bae	51	Vice President, Global Human Resources (2015) and Chief Compliance Officer (2012)	Deputy General Counsel, Labor and Employment (2012-2015)
			Senior Vice President, Administration and General Counsel, Americas Division (2009-2012)
Joel D. Becker	48	President, Americas Division (2014)	President, U.S. Division (2011-2014)
			Senior Vice President, Marketing, U.S. Division (2011)
			Vice President, Program Management & Business Development, Atrial Fibrillation Division (2004-2011)
Mark D. Carlson, M.D.	60	Vice President, Global Clinical Affairs and Chief Medical Officer (2013)	Chief Medical Officer and Senior Vice President, Research and Clinical Affairs, Implantable Electronic Systems Division (2012-2013)
			Chief Medical Officer and Senior Vice President, Research and Clinical Affairs, Cardiac Rhythm Management Division (2007-2012)
Jeffrey A. Dallager	41	Vice President and Corporate Controller (2014)	Senior Vice President, Finance and Supply Chain, International Division (2012-2014)
			Senior Vice President, Finance, U.S. Division (2009-2012)
Philip J. Ebeling	45	Vice President, Chief Technology Officer (2016)	Senior Vice President, Research and Development (2014-2015)
			Senior Vice President, Research and Development, Cardiovascular and Ablation Technologies Division (2012-2014)
			Vice President, Research and Development, Cardiovascular Division (2011-2012)
Rachel H. Ellingson	46	Vice President, Corporate Strategy (2016)	Vice President, Global Communications (2014-2015)
			Vice President, Corporate Relations (2012-2014)
			Vice President, Corporate Communications and Investor Relations (2011-2012)
Eric S. Fain, M.D.	55	Group President (2014)	President, Implantable Electronic Systems Division (2012-2014)
			President, Cardiac Rhythm Management Division (2007-2012)
Jeff A. Fecho	55	Vice President, Global Quality (2012)	Vice President, Quality, Cardiovascular Division (2008-2012)
Denis M. Gestin	52	President, International Division (2008)	

Mark W. Murphy	47	Vice President, Information Technology and Chief Information Officer (2013)	Senior Director, Enterprise Applications (2009-2013)
Scott P. Thome	53	Vice President, Global Operations and Supply Chain (2014)	Senior Vice President, Cardiovascular and Ablation Technologies Division (2012-2014)
			Senior Vice President, Cardiovascular Division (2010-2012)
Jason A. Zellers	50	Vice President, General Counsel and Corporate Secretary (2011)	Vice President, General Counsel, International Division (2006-2011)
Donald J. Zurbay	48	Vice President, Finance (2006) and Chief Financial Officer (2012)	Corporate Controller (2006-2012)

Item 1A. RISK FACTORS

Our business faces many risks. Any of the risks discussed below, or elsewhere in this Form 10-K or our other SEC filings, could have a material impact on our business, financial condition or results of operations.

We face intense competition and may not be able to keep pace with the rapid technological changes in the medical devices industry.

The medical device market is intensely competitive and is characterized by extensive research and development and rapid technological change. Our customers consider many factors when choosing suppliers, including product reliability, clinical outcomes, breadth of product portfolio, price and product services provided by the manufacturer, product availability and market share can shift as a result of technological innovation and other business factors. Major shifts in industry market share have occurred in connection with product problems, physician advisories and safety alerts, reflecting the importance of product quality in the medical device industry, and any quality problems with our processes, goods and services could harm our reputation for producing high-quality products and erode our competitive advantage, sales and market share. Our competitors range from small start-up companies to larger companies which have significantly greater resources and broader product offerings than us, and we anticipate that in the coming years, other large companies will enter certain markets in which we currently hold a strong position. Furthermore, our industry has experienced significant consolidation in recent years. Certain of our competitors have been able to expand their portfolio of products and services through this consolidation process, and they are able to offer customers a broader array of products and services than we can, thereby, in some instances, providing them a competitive advantage in the market. In addition, we expect that competition will continue to intensify with increasing price competition as a result of managed care, consolidation among healthcare providers, increased competition and declining reimbursement rates. Product introductions or enhancements by competitors which have advanced technology, better features or lower pricing may make our products or proposed products obsolete or less competitive. As a result, we will be required to devote continued efforts and financial resources to bring our products under development to market, enhance our existing products and develop new products for the medical marketplace. If we fail to develop new products, enhance existing products or compete effectively, our business, financial condition and results of operations will be adversely affected.

Consolidation in the healthcare industry could lead to demands for price concessions or limit or eliminate our ability to sell to certain of our significant market segments.

The cost of healthcare has risen significantly over the past decade and numerous initiatives and reforms initiated by legislators, regulators and third-party payors to curb these costs have resulted in a consolidation trend in the medical device industry, as well as among our customers, including healthcare providers. This, in turn, has resulted in greater pricing pressures and limitations on our ability to sell to important market segments, as group purchasing organizations, independent delivery networks and large single accounts, such as the Veterans Administration in the United States, continue to consolidate purchasing decisions for some of our healthcare provider customers. We expect that market demand, government regulation, third-party reimbursement policies and societal pressures will continue to change the worldwide healthcare industry, resulting in further business consolidations and alliances that may exert further downward pressure on our product prices and adversely impact our business, financial condition and results of operations.

We are subject to stringent domestic and foreign medical device regulation and any adverse regulatory action may materially adversely affect our financial condition and business operations.

We are subject to rigorous regulation by the FDA and numerous other federal, state and foreign governmental authorities. To varying degrees, each of these authorities monitors and enforces our compliance with laws and regulations governing the development, testing, clinical study, manufacturing, labeling, packaging, marketing and distribution of our medical devices. These laws and regulations are subject to change and to evolving interpretations which could increase costs, prevent or delay future device clearance or approvals, or otherwise adversely affect our ability to market currently cleared or approved devices. The process of obtaining marketing approval or clearance from the FDA and comparable foreign bodies for new products, or for enhancements or modifications to existing products, could:

- take a significant amount of time,
- require the expenditure of substantial resources,
- involve rigorous pre-clinical and clinical testing, as well as increased post-market surveillance,
- involve modifications, repairs or replacements of our products, and
- result in limitations on the indicated uses of our products.

We cannot be certain that new medical devices or new uses for existing medical devices will be cleared or approved by the FDA or foreign regulatory agencies in a timely or cost-effective manner, if cleared or approved at all. In addition, the FDA may require post-market testing and surveillance and may, depending on the results, prevent or limit further marketing of products. The failure to receive approval or clearance for significant new products or modifications to existing products or the receipt of an approval of limited or reduced scope could have a material adverse effect on our financial condition and results of operations.

Both before and after a product is commercially released, we have ongoing responsibilities under the FDCA and FDA regulations, which govern virtually all aspects of a medical device's design, development, testing, manufacturing, labeling, storage, record keeping, adverse event reporting, sale, promotion, distribution and shipping. Compliance with applicable statutory and regulatory requirements is subject to continual review and is monitored rigorously through periodic inspections by the FDA, which may result in observations on Form 483, and in some cases warning letters, that require corrective action. If the FDA were to conclude that we are not in compliance with applicable laws or regulations, or that any of our medical devices are ineffective or pose an unreasonable health risk, the FDA could:

- require us to notify health professionals and others that the devices present unreasonable risk of substantial harm to public health;
- order us to recall, repair, replace or refund the cost of any medical device that we manufactured or distributed;
- detain, seize or ban adulterated or misbranded medical devices;
- refuse to provide us with documents necessary to export our products;
- refuse requests for 510(k) clearance or PMA of new products or new intended uses;
- withdraw 510(k) clearances or PMAs that are already granted;
- impose operating restrictions, including requiring a partial or total shutdown of production;
- enjoin or restrain conduct resulting in violations of applicable law pertaining to medical devices; and/or
- assess criminal or civil penalties against us or our officers and employees.

Any adverse regulatory action, depending on its magnitude, may restrict us from effectively manufacturing, marketing and selling our products. In addition, negative publicity and product liability claims resulting from any adverse regulatory action could have a material adverse effect on our financial condition and results of operations.

In addition, the FDCA permits device manufacturers to promote products solely for the uses and indications set forth in the approved product labeling. The U.S. Department of Justice has initiated a number of enforcement actions against manufacturers that promote products for "off-label" uses, alleging, among other things, that "off-label" promotion caused the submission of false and fraudulent claims for reimbursement to federal health care programs in violation of the Federal False Claims Act. Government enforcement action can result in substantial fines, penalties, and/or administrative remedies, including exclusion from government reimbursement programs and entry into Corporate Integrity Agreements (CIAs) with governmental agencies entailing significant additional obligations and costs.

Foreign governmental regulations have become increasingly stringent and more common, and we may become subject to even more rigorous regulation by foreign governmental authorities in the future. Changes in clearance, approvals or standards that must be complied with prior to commercial marketing or the enactment of additional laws or regulations may cause delays in or prevent the marketing of a product. Penalties for a company's noncompliance with foreign governmental regulation could be severe, including revocation or suspension of a company's business license and criminal sanctions. Any domestic or foreign governmental medical device law or regulation imposed in the future may have a material adverse effect on our financial condition and business operations.

Our business, financial condition, results of operations and cash flows could be significantly and adversely affected by recent healthcare reform legislation and other administration and legislative proposals.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively PPACA), was enacted into law in 2010. As a U.S.-headquartered company with significant sales in the United States, this healthcare reform law has had, and is expected to continue to have, a material impact on us and on the U.S. healthcare system, more generally. Beginning in 2013, the law levied a 2.3% excise tax on the majority of our U.S. medical device sales, which has materially impacted our cash flows and results of operations, although H.R. 2029, signed into law in December 2015, placed a moratorium on this tax in 2016 and 2017. Additionally, the law reduced the annual rate of inflation for Medicare payments to hospitals and called for the establishment of the Independent Payment Advisory Board to recommend strategies for reducing growth in Medicare spending. The law also focused on a number of Medicare provisions aimed at improving quality and decreasing costs, such as value-based payment programs, increased funding of comparative effectiveness research, reduced hospital payments for avoidable readmissions and hospital acquired conditions, and pilot programs to evaluate alternative payment methodologies that promote care coordination (such as bundled physician and hospital payments). It is uncertain at this point what consequences these provisions may have on potentially limiting patient access to new technologies. We cannot predict what future healthcare legislation will be implemented at the federal or state level, nor the effect of any future legislation or regulation. However, any changes that lower reimbursement for our products or reduce medical procedure volumes could adversely affect our business and results of operations.

In addition, general instability in the federal budget may also lead to legislation that could result in cuts in Medicare and Medicaid reimbursement. In recent years, the government has enacted a variety of appropriations legislation to temporarily suspend the debt ceiling and continue government operations. While Congress has been taking temporary spending measures, many members of Congress have made public statements indicating that budget-related deadlines should be used as leverage to negotiate additional cuts in federal spending, and the Medicare program is frequently mentioned as a target for spending cuts.

Our failure to comply with requirements and/or restrictions relating to reimbursement and regulation of healthcare goods and services may subject us to penalties and adversely affect our financial condition and results of operations.

As a medical device company, our operations and interactions with healthcare providers such as hospitals and healthcare professionals are subject to extensive regulation by various federal, state and local government entities. Failure to comply with such laws and regulations could result in substantial penalties and adversely affect our financial condition and results of operations. For example, in the United States, federal laws and regulations prohibit the filing of false or improper claims for payment by federal healthcare programs (the federal False Claims Act) and unlawful inducements for the referral of business reimbursable by federal healthcare programs (the federal AKS), require disclosure of payments or other transfers of value made to U.S.-licensed physicians and teaching hospitals (the federal Physician Payments Sunshine Act), and regulate the use and disclosure of protected health information (the federal HIPAA Standards). Additionally, many states have enacted similar laws that may impose more stringent requirements. Foreign governments also impose regulations in connection with their healthcare reimbursement programs and the delivery of healthcare goods and services. If a governmental authority were to conclude that we are not in compliance with applicable laws and regulations, we and our officers and employees could be subject to severe criminal and civil penalties, including, for example, exclusion from participation in federal healthcare programs, including Medicare and Medicaid. Such fines and potential exclusion could adversely affect our financial condition and results of operations.

The medical device industry and its customers are often the subject of governmental investigations into marketing and other business practices.

We are subject to extensive and stringent regulation by the FDA, the Office of Inspector General for the Department of Health and Human Services, the Department of Justice and other federal, state and foreign governmental authorities, who have been increasing their scrutiny of the medical device industry in recent years. Much of the regulatory scrutiny concerns medical device companies' promotional practices and relationships and financial arrangements with health care providers. Investigations against us could result in the commencement of civil and/or criminal proceedings, substantial fines, penalties and/or administrative remedies, the imposition of additional and costly compliance obligations and the diversion of management's attention from the day-to-day operations of the business, any of which could have an adverse effect on our financial condition and results of operations. In addition, investigations of our customers may adversely affect the size of our markets.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition and results of operations.

We are subject to income taxes as well as non-income based taxes, in both the United States and various foreign jurisdictions. We are subject to ongoing tax audits in various jurisdictions. Tax authorities may disagree with certain positions we have taken, such as interpretations as to the legality of tax advantages granted under the European Union state aid rules, and assess additional taxes. The outcomes of these audits could have a material impact on our results of operations and financial condition. Our operations in Puerto Rico, Costa Rica and Malaysia presently benefit from various tax incentive grants. Unless these grants are extended, they will expire between 2018 and 2026. If we are unable to renew, extend, or obtain new tax incentive grants, the expiration of existing tax incentive grants could have a material impact on our financial results in future periods. Additionally, changes in tax laws or tax rulings could materially impact our effective tax rate. For example, proposals for fundamental U.S. international tax reform, such as past or current proposals by the Obama administration, if enacted, could have a significant adverse impact on our future results of operations. In addition, the enactment of the PPACA levied a 2.3% excise tax on the majority of our U.S. medical device sales, although H.R. 2029, signed into law in December 2015, placed a moratorium on this tax in 2016 and 2017.

Instability in international markets or foreign currency fluctuations could adversely affect our results of operations.

We generate a significant amount of revenue from outside the United States. Our products are currently marketed in more than 100 countries around the world, with our largest geographic markets outside of the United States being Europe and Japan. As a result, we face currency and other risks associated with our international sales. We are exposed to foreign currency exchange rate fluctuations due to transactions denominated primarily in Euros, Japanese Yen and other foreign currencies, which may potentially reduce the U.S. Dollars we receive for sales denominated in any of these foreign currencies and/or increase the U.S. Dollars we report as expenses in these currencies, thereby affecting our consolidated results of operations. Fluctuations between the currencies in which we do business have caused and will continue to cause foreign currency transaction gains and losses. We cannot predict the effects of currency exchange rate fluctuations upon our future operating results because of the number of currencies involved, the variability of currency exposures and the volatility of currency exchange rates. The hedging strategy we initiated in 2015 in an effort to mitigate the effects of currency exchange rate volatility may not be effective.

In addition to foreign currency exchange rate fluctuations, there are a number of additional risks associated with our international operations, including those related to:

- the imposition of or increase in import or export duties, surtaxes, tariffs or customs duties;
- the imposition of import or export quotas or other trade restrictions;
- foreign tax laws and potential increased costs associated with overlapping tax structures;
- compliance with various U.S. and foreign laws, including the Foreign Corrupt Practices Act, the UK Anti-Bribery Act and import/export laws;
- longer accounts receivable cycles in certain foreign countries, whether due to cultural, economic or other factors;
- changes in medical reimbursement programs and regulatory requirements in international markets in which we operate; and

- economic and political instability in international markets, including concerns over excessive levels of sovereign debt and budget deficits in countries where we market our products that could result in an inability to pay or timely pay outstanding payables.

Economic conditions could adversely affect our results of operations.

Instability in the global economy and financial markets can affect our business through its effects on general levels of economic activity, employment and customer behavior. The rate of recovery from the recent recession in the United States and other markets has been slower than historical economic recovery periods. Central Banks around the world may move to tighten monetary conditions in an attempt to control inflation. Reductions in federal spending in the United States over the next decade (e.g. sequestration) could result in cuts to, and restructuring of, entitlement programs such as Medicare and aid to states for Medicaid programs. Our hospital customers rely heavily on Medicare and Medicaid programs to fund their operations. Any cuts to these programs could negatively affect the business of our customers and our business. As a result of poor economic conditions, our customers may experience financial difficulties or be unable to borrow money to fund their operations, which may adversely impact their ability or decision to purchase our products or to pay for products they purchase on a timely basis, if at all. While the economic environment has begun to show signs of improvement, the strength and timing of any economic recovery remains uncertain, and we cannot predict to what extent the global economic slowdown may negatively impact our net sales, average selling prices, profit margins, procedural volumes and reimbursement rates from third party payors. In addition, adverse economic conditions may affect our suppliers, leading them to experience financial difficulties or to be unable to borrow money to fund their operations, which could cause disruptions in our ability to produce our products.

We continue to experience longer collection cycles for trade receivables in certain European member states, particularly in Southern Europe. Additional negative economic disruptions and slowdowns in Europe may result in us not fully collecting these receivables, adversely affecting our cash flows, financial position and results of operations. Additional prolongation of the economic disruptions in Europe may negatively impact reimbursement rates and procedural volumes and adversely affect our business and results of operations.

We may not realize the expected benefits from our restructuring initiatives and continuous improvement efforts, and they may result in unintended adverse impacts to our business.

We have made changes to our organizational structure to better position us for the evolving competitive, regulatory and economic environments in which we operate. These changes have included, among others, combining our several operating divisions into a single division, resulting in an integrated research and development organization and a consolidation of manufacturing and supply chain operations worldwide; centralization of certain support functions, including information technology, human resources, legal, business development and certain marketing functions; streamlining distribution methods; rationalizing plant utilization levels; and consolidating vendor relationships. We also have made decisions regarding the programs and initiatives we will prioritize to strengthen our strategic focus.

While these changes were part of a comprehensive plan to, among other things, accelerate our growth, leverage economies of scale, drive process improvements through global synergies, balance plant utilization levels, centralize certain vendor relationships, reduce overall costs and streamline distribution methods, we may not realize the expected benefits of our restructuring initiatives and continuous improvement efforts. In addition, these actions and potential future restructuring actions could yield unintended consequences, such as distraction of management and employees, business disruption, reduced employee morale and productivity and unexpected additional employee attrition , including the inability to attract or retain key personnel. These consequences could negatively affect our business, financial condition and results of operations. In addition, these restructuring measures and potential future restructuring measures may not result in the expected cost savings and additional operating efficiency we hope to achieve.

We are increasingly dependent on sophisticated information technology and, if we fail to properly maintain the integrity of our data systems or if our products do not operate as intended, our business could be materially affected.

We are increasingly dependent on sophisticated information technology for our products and infrastructure. We have been consolidating and integrating the number of systems we operate and have upgraded and expanded our information systems capabilities, including the conversion to a new enterprise resource planning system. Our information and manufacturing systems, as well as our products that incorporate information technology, require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and products and develop new systems and products to keep pace with continuing changes in information processing technology, mobile device technology, evolving systems and regulatory standards and the need to protect patient and customer information. In addition, third parties may attempt to hack into our systems or products in order to, among other things, compromise the integrity of those systems or products. If we fail to maintain or protect the integrity of our information and manufacturing systems and our products that incorporate information technology, we could lose existing customers, have difficulty attracting new customers, have difficulty manufacturing product, have problems with product functionality that could pose a risk to patients, have difficulty preventing, detecting and controlling fraud, become subject to product recalls, regulatory sanctions or penalties, experience increases in operating expenses, incur expenses or lose revenues as a result of a breach or suffer other adverse consequences. Our process of consolidating the number of systems we operate, upgrading and expanding the information capabilities of our systems and products, protecting and enhancing the integrity of our systems and products and developing new systems and products to keep pace with continuing changes in information processing technology may not be successful and additional systems or product issues may arise in the future. Any significant breakdown, intrusion, interruption, corruption or destruction of our systems or products could have a material adverse effect on our business.

If our efforts to maintain the privacy and security of our customer, patient, third-party payor, employee, supplier or Company information are not successful, we could incur substantial additional costs and become subject to litigation, enforcement actions and reputational damage.

Our business, like that of most medical device manufacturers, involves the receipt, storage and transmission of patient information and payment and reimbursement information, as well as confidential information about third-party payors, our employees, our suppliers and our Company. Our information systems are vulnerable to an increasing threat of continually evolving cybersecurity risks. Unauthorized parties may attempt to gain access to our systems or information through fraud or other means of deceiving our employees or third-party service providers. Hardware, software or applications we develop or obtain from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. The methods used to obtain unauthorized access, disable or degrade service or sabotage systems are also constantly changing and evolving, and may be difficult to anticipate or detect for long periods of time. We have implemented and regularly review and update processes and procedures to protect against unauthorized access to or use of secured data and to prevent data loss. However, the ever-evolving threats mean we must continually evaluate and adapt our systems and processes, and our efforts may not be adequate to safeguard against all data security breaches, misuse of data or sabotage of our systems. Any future significant compromise or breach of our data security, whether external or internal, or misuse of customer, third-party payor, employee, supplier or Company data, could result in additional significant costs, lost sales, fines, lawsuits and damage to our reputation. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

Failure to integrate acquired businesses into our operations successfully could adversely affect our business.

As part of our strategy to develop and identify new products and technologies, we have made several acquisitions in recent years and may make additional acquisitions in the future. In October 2015, we completed the acquisition of Thoratec Corporation (Thoratec), which represented our largest acquisition to date. Our integration of the operations of Thoratec as well as the other businesses we have acquired in recent years requires significant efforts, including the coordination of information technologies, research and development, manufacturing, operations and sales and marketing. These efforts result in additional expenses and involve significant amounts of management's time that cannot then be dedicated to other projects. Our failure to manage successfully and coordinate the growth of the combined company could also have an adverse impact on our business. In addition, the businesses we acquired may not become profitable or remain so. If our acquisitions are not successful, we may record unexpected impairment charges. Factors that will affect the success of our acquisitions include:

- the presence or absence of adequate internal controls and/or significant fraud in the financial systems of acquired companies;
- adverse developments arising out of investigations by governmental entities of the business practices of acquired companies;
- any decrease in customer loyalty and product orders caused by dissatisfaction with the combined companies' product lines and sales and marketing practices, including price increases;
- our ability to retain key employees; and
- the ability of the combined company to achieve synergies among its constituent companies, such as increasing sales of the combined company's products, achieving cost savings and effectively combining technologies to develop new products.

We incurred additional indebtedness to finance the acquisition of Thoratec, which may decrease our business flexibility and increase our borrowing costs .

As a result of the Thoratec acquisition, our consolidated indebtedness has increased substantially. The increased indebtedness and higher debt-to-equity and debt-to-income ratios of our Company, as compared to that which has existed on a historical basis, may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and increasing borrowing costs. In addition, since the completion of the acquisition, the rating on our debt has been downgraded by certain credit rating agencies.

Cost containment pressures and domestic and foreign legislative or administrative reforms resulting in restrictive reimbursement practices of third-party payors or preferences for alternate therapies could decrease the demand for products purchased by our customers, the prices which they are willing to pay for those products and the number of procedures using our devices.

Our products are purchased principally by healthcare providers that typically bill various third-party payors, such as governmental programs (e.g., Medicare and Medicaid), private insurance plans and managed care plans, for the healthcare services provided to their patients. The ability of customers to obtain appropriate reimbursement for their services and the products they provide from government and third-party payors is critical to the success of medical technology companies. The availability of reimbursement affects which products customers purchase and the prices they are willing to pay. Reimbursement varies from country to country and can significantly impact the acceptance of new technology. After we develop a promising new product, we may find limited demand for the product unless reimbursement approval is obtained from governmental and private third-party payors.

For example, Medicare covers items and services that are reasonable and necessary for the diagnosis or treatment of an illness or injury. The Center for Medicare and Medicaid Services (CMS) may issue a national coverage determination (NCD), which sets forth a Medicare coverage limitation for a specific item or service, and in the absence of a NCD, a local Medicare Administrative Contractor (MAC) may issue a local coverage determination (LCD), which sets forth a coverage limitation for that specific Medicare jurisdiction. To date, one MAC has finalized and one MAC has proposed a restrictive LCD for our CardioMEMS™ product. It is possible that other MACs may release similarly restrictive LCDs, which could have an adverse effect on sales of our CardioMEMS™ product. CardioMEMS™ was also the subject of a report by the Institute for Clinical and Economic Research (ICER) - an organization that examines the cost-effectiveness of various products. ICER’s report stated that the evidence

surrounding CardioMEMS™ is “promising but inconclusive.” Some private payors have limited or not provided coverage for CardioMEMS™, and ICER’s report could be used by third-party payors to continue or adopt restrictive coverage or reimbursement of the product.

In addition to Medicare, many other major third-party payors for healthcare provider services in the United States and abroad continue to work to contain healthcare costs. The introduction of cost containment incentives, combined with closer scrutiny of healthcare expenditures by both private and public health insurers and employers, has resulted in increased discounts and contractual adjustments to healthcare provider charges for services performed and in the shifting of services from the inpatient to the outpatient setting. Initiatives to limit the growth of healthcare costs, including price regulation, are also underway in several countries in which we do business. Implementation of healthcare reforms in the United States and in significant overseas markets such as Germany, Japan and other countries may limit the price or the level at which reimbursement is provided for our products and adversely affect both our pricing flexibility and the demand for our products.

For example, in 2010, PPACA was enacted into law in the United States and included a number of provisions aimed at improving the quality and decreasing the costs of healthcare. The healthcare reform statutes have already resulted in significant reimbursement cuts in Medicare payments to hospitals and other healthcare providers, although it is uncertain what consequences these provisions may have on new technologies. Additionally, the Budget Control Act of 2011 (BCA) called for the establishment of a Joint Select Committee on Deficit Reduction, tasked with reducing the federal debt level. However, because the Committee did not draft a proposal by the BCA’s deadline, automatic cuts (sequestration) in various federal programs began on March 1, 2013. Under the Bipartisan Budget Act of 2013 and a bill signed by the President on February 15, 2014, sequestration has been extended through fiscal year 2024. Medicare payments to providers are subject to such cuts, although the BCA generally limited the Medicare cuts to two percent. For fiscal year 2024, however, Medicare sequestration amounts will be realigned such that there will be a four percent sequester for the first six months and no sequester for the second six months.

Legislative or administrative reforms to the U.S. or international reimbursement systems that significantly reduce reimbursement for procedures using our medical devices or deny coverage for such procedures, or adverse decisions relating to our products by administrators of such systems on coverage or reimbursement issues, would have an adverse impact on the products purchased by our customers and the prices our customers are willing to pay for them. Healthcare providers may respond to such cost-containment pressures by substituting lower cost products or other therapies for our products. This, in turn, would have an adverse effect on our financial condition and results of operations.

Failure to maintain strong working relationships with physicians and other healthcare professionals could adversely impact our product development and sales and marketing efforts.

If we fail to maintain our working relationships with physicians and other healthcare professionals, many of our products may not be developed and marketed in line with the needs and expectations of the professionals who use and support our products. The research, development, marketing and sales of many of our new and improved products is dependent upon our maintaining working relationships with physicians as well as other healthcare professionals, including hospital purchasing agents, who are becoming increasingly instrumental in making purchasing decisions for our products. We rely on these professionals to provide us with considerable knowledge and experience regarding our products and the marketing and sale of our products. Physicians also assist us as researchers, consultants, advisory board members, inventors and as public speakers. If we are unable to maintain our strong relationships with these professionals and continue to receive their advice and input, the development and marketing and sales of our products could suffer, which could have a material adverse effect on our financial condition and results of operations. Our relationships with physicians and other healthcare professionals and other providers that use our products are regulated under the U.S. federal AKS and similar state and foreign laws. Failure to comply with the federal AKS or similar state or foreign law could result in criminal or civil penalties, exclusion from federal healthcare programs, or the imposition of corporate integrity agreements that result in significant administrative obligations and costs.

In addition, in February 2013, CMS finalized regulations to implement the Physician Payments Sunshine Act, enacted as part of the U.S. healthcare reform legislation in 2010. This rule requires us to report annually to CMS certain payments and other transfers of value we make to U.S.-licensed physicians and teaching hospitals. These annual reports are publicly available, which could impact the number of physicians and other healthcare providers who are willing to work with us on the research and development of our products. In addition, several states have

implemented, and a number of foreign regulatory bodies are in the process of developing, similar transparency and disclosure laws applicable to medical device manufacturers, some of which require reporting of transfers of value made not only to physicians, but to a wider variety of healthcare professionals and institutions as well.

Our products are continually the subject of clinical trials conducted by us, our competitors or other third parties, the results of which may be unfavorable, or perceived as unfavorable by the market, and could have a material adverse effect on our business, financial condition and results of operations.

As a part of the regulatory process of obtaining marketing clearance for new products and new indications for existing products, we conduct and participate in numerous clinical trials with a variety of study designs, patient populations and trial endpoints. Unfavorable or inconsistent clinical data from existing or future clinical trials conducted by us, by our competitors or by third parties, or the market's or FDA's perception of this clinical data, may adversely impact our ability to obtain product approvals, the size of the markets in which we participate, our position in, and share of, the markets in which we participate and our business, financial condition and results of operations.

If we are unable to protect our intellectual property effectively, our financial condition and results of operations could be adversely affected.

Patents and other proprietary rights are essential to our business and our ability to compete effectively with other companies is dependent upon the proprietary nature of our technologies. We also rely upon trade secrets, know-how, continuing technological innovations and licensing opportunities to develop, maintain and strengthen our competitive position. We seek to protect these, in part, through confidentiality agreements with certain employees, consultants and other parties. We pursue a policy of generally obtaining patent protection in both the United States and in key foreign countries for patentable subject matter in our proprietary devices and also attempt to review third-party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities and monitor the patent claims of others. We currently own numerous United States and foreign patents and have numerous patent applications pending. We are also a party to various license agreements pursuant to which patent rights have been obtained or granted in consideration for cash, cross-licensing rights or royalty payments. Pending or future patent applications may not result in issued patents and current or future patents issued to or licensed by us may be challenged, invalidated or circumvented. Additionally, the rights granted thereunder may not provide a competitive advantage to us or prevent competitors from entering markets which we currently serve. Any required license may not be available to us on acceptable terms, if at all. In addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technologies as us. In addition, we may have to take legal action in the future to protect our trade secrets or know-how or to defend them against claimed infringement of the rights of others. Any legal action of that type could be costly and time consuming to us and we cannot be certain of the outcome. The invalidation of key patents or proprietary rights which we own or an unsuccessful outcome in lawsuits to protect our intellectual property could have a material adverse effect on our financial condition and results of operations.
Our intellectual property, other proprietary technology and other sensitive Company data are also potentially vulnerable to loss, damage or misappropriation from information technology system malfunction, computer viruses, unauthorized access or misappropriation or misuse thereof by those with permitted access, as well as other events. The steps we have taken and will continue to take to protect our intellectual property, other proprietary technology and other sensitive Company data from these risks may not prevent breakdowns, breaches, cyber-attacks or other events. Such events could have a material adverse effect on our reputation, financial condition or results of operations.

Patent litigation could be costly and disruptive to us and may have an adverse effect on our financial condition and results of operations.

We operate in an industry that is susceptible to significant patent litigation and, in recent years, it has been common for companies in the medical device field to aggressively challenge the rights of other companies to prevent the introduction and sale of new devices. Companies that obtain patents for products or processes that are necessary for or useful to the development of our products may bring legal actions against us claiming infringement and at any given time, we generally are involved as both a plaintiff and a defendant in a number of patent infringement and other intellectual property-related actions. Defending intellectual property litigation is expensive and complex and outcomes are difficult to predict. Patent litigation may result in significant royalty or other payments or injunctions that can prevent the sale of products and may cause a significant diversion of the efforts of our technical and management personnel. In the event that our right to market any of our products is successfully challenged or if we

fail to obtain a required license or are unable to design around a patent, our financial condition and results of operations could be materially adversely affected.

Product liability claims and other litigation, including private securities litigation, shareholder derivative suits and contract litigation, may adversely affect our financial condition and results of operations.

The design, manufacture and sale of the medical devices we produce entail an inherent risk of product liability claims. Our products are often used in intensive care settings with seriously ill patients, and many of the medical devices we manufacture and sell are designed to be implanted in the human body for long periods of time or indefinitely. There are a number of factors that could result in an unsafe condition or injury to, or death of, a patient with respect to these or other products which we manufacture or sell, including component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. Product liability claims may be brought by individuals or by groups seeking to represent a class.

The outcome of product liability litigation, particularly class action lawsuits, is difficult to assess or quantify. Plaintiffs in these types of lawsuits often seek recovery of very large or indeterminate monetary amounts, and the magnitude of the potential loss relating to such lawsuits may remain unknown for substantial periods of time. The final resolution of these types of litigation matters may take a number of years and it is difficult to reasonably estimate the time frame in which any potential settlements or judgments would be paid out or the amounts of any such settlements or judgments. In addition, the cost to defend product liability claims may be significant. Product liability claims, securities and commercial litigation and other current or future litigation, including any costs (the material components of which are settlements, judgments, legal fees and other related defense costs) not covered under our previously-issued product liability insurance policies and existing litigation reserves, could have a material adverse effect on our results of operations, financial position and cash flows.

The loss of any of our sole-source or single source suppliers or an increase in the price of inventory supplied to us could have an adverse effect on our business, financial condition and results of operations.

We purchase certain supplies used in our manufacturing processes from single sources due to quality considerations, costs or constraints resulting from regulatory requirements. Agreements with certain suppliers are terminable by either party upon short notice, and we have been advised periodically by some suppliers that in an effort to reduce their potential product liability exposure, they may terminate sales of products to customers that manufacture implantable medical devices. While some of these suppliers have modified their positions and have indicated a willingness to continue to provide a product temporarily until an alternative vendor or product can be qualified (or even to reconsider the supply relationship), where a particular single-source supply relationship is terminated, we may not be able to establish additional or replacement suppliers for certain components or materials quickly. This is largely due to the FDA approval system, which mandates validation of materials prior to use in our products, and the complex nature of manufacturing processes employed by many suppliers. In addition, we may lose a sole-source supplier due to, among other things, the acquisition of such a supplier by a competitor (which may cause the supplier to stop selling its products to us) or the bankruptcy of such a supplier, which may cause the supplier to cease operations. A reduction or interruption by a sole-source supplier of the supply of materials or key components used in the manufacturing of our products or an increase in the price of those materials or components could adversely affect our business, financial condition and results of operations.

Regulatory actions arising from the concern over Bovine Spongiform Encephalopathy may limit our ability to market products containing bovine material.

Our Angio-Seal™ vascular closure device, as well as our vascular graft products, contain bovine collagen. In addition, some of the tissue heart valves we market, such as our Biocor®, Epic™, Trifecta™ and Portico™ tissue heart valves, incorporate bovine pericardial material. In some jurisdictions, there are laws, regulations and guidance that regulate the use of certain animal material in medical devices because of concerns about Transmissible Spongiform Encephalopathy (TSE), such as Bovine Spongiform Encephalopathy, which is sometimes referred to as "mad cow disease," a disease which has sometimes been transmitted to humans through the consumption of beef. Some medical device regulatory agencies have considered and are considering whether to continue to permit the sale of medical devices that incorporate certain animal material. While we are not aware of any reported cases of transmission of TSE through medical products and are cooperating with regulatory agencies considering these issues, the suspension or revocation of authority to manufacture, market or distribute products containing bovine material, or the imposition of a regulatory requirement that we procure material for these products from alternate sources, could result in lost market opportunities, harm the continued commercialization and distribution of such products and impose additional costs on us. Any of these consequences could in turn have a material adverse effect on our financial condition and results of operations.

Our operations are subject to environmental, health and safety laws and regulations that could require us to incur material costs.

Our operations are subject to environmental, health and safety laws and regulations concerning, among other things, the generation, handling, transportation and disposal of hazardous substances or wastes, particularly ethylene oxide, the cleanup of hazardous substance releases, and emissions or discharges into the air or water. We have incurred and expect to incur expenditures in the future in connection with compliance with environmental, health and safety laws and regulations. New laws and regulations, violations of these laws or regulations, stricter enforcement of existing requirements, or the discovery of previously unknown contamination could require us to incur costs or become the basis for new or increased liabilities that could be material.

Our product liability self-insurance program may not be adequate to cover future losses.

Consistent with the predominant practice in our industry, we do not currently maintain or intend to maintain in the future any insurance policies with respect to product liability. Our self-insurance program, which is based on historical loss trends, may not be adequate to cover future losses, as historical trends may not be indicative of future losses. These losses could have a material adverse impact on our results of operations, financial condition and cash flows.

Natural disasters or other catastrophes could adversely affect our business, financial condition and results of operations.

The occurrence of one or more natural disasters, such as hurricanes, cyclones, typhoons, tropical storms, floods, earthquakes and tsunamis, severe changes in climate and geo-political events, such as acts of war, civil unrest or terrorist attacks, or the occurrence of epidemic diseases in a country in which we operate or in which our suppliers are located could adversely affect our operations and financial performance. For example, we have significant facilities located in Sylmar, Pleasanton and Sunnyvale, California, Puerto Rico, Malaysia and Costa Rica. Earthquake insurance is currently difficult to obtain, extremely costly and restrictive with respect to scope of coverage. We do not currently maintain or intend to maintain earthquake insurance. Consequently, we could incur uninsured losses and liabilities arising from an earthquake near our California, Puerto Rico or Costa Rica facilities as a result of various factors, including the severity and location of the earthquake, the extent of any damage to our facilities, the impact of an earthquake on our workforce and on the infrastructure of the surrounding communities and the extent of damage to our inventory and work in process. These losses could have a material adverse effect on our business for an indeterminate period. Furthermore, our manufacturing facilities in Puerto Rico or Malaysia may suffer damage as a result of hurricanes and could result in lost production and additional expenses to us to the extent any such damage is not fully covered by our hurricane and business interruption insurance. Even with insurance coverage, natural disasters or other catastrophic events, including acts of war or terrorism, could cause us to suffer substantial losses in our operational capacity and could also lead to a loss of opportunity and to a potential adverse impact on our relationships with our existing customers resulting from our inability to produce products for them, for which we would not be compensated by existing insurance. This in turn could have a material adverse effect on our financial condition and results of operations.

Further, when natural disasters result in wide-spread destruction, or certain regions experience acts of war or terrorism, the adverse impact on the operations of our customers in those affected locations could result in a material adverse effect on our results of operations in that region or on the consolidated operations of our business.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

We own our principal executive offices, which are located in St. Paul, Minnesota. As of January 2, 2016, our manufacturing and research and development facilities are located in California, Michigan, Minnesota, Arizona, South Carolina, Texas, New Jersey, Oregon, Massachusetts, Georgia, Brazil, Puerto Rico, Costa Rica, Israel, Switzerland and Malaysia. We own approximately 70% (800,000 square feet) of our total manufacturing space. We also maintain over 100 sales and administrative offices world-wide. With the exception of 17 locations, all of our sales and administrative offices are leased. We believe that all buildings, machinery and equipment are in good condition, suitable for their purposes and are maintained on a basis consistent with sound operations. Additionally, we believe that we have sufficient space for our current operations and for foreseeable expansion in the next few years.

Item 3. LEGAL PROCEEDINGS

Discussion of legal proceedings is incorporated by reference from Part II, Item 8. "Financial Statements and Supplementary Data" of this document, and should be considered an integral part of Part I, Item 3, "Legal Proceedings."

Item 4. MINE SAFETY DISCLOSURES

No matters require disclosure.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

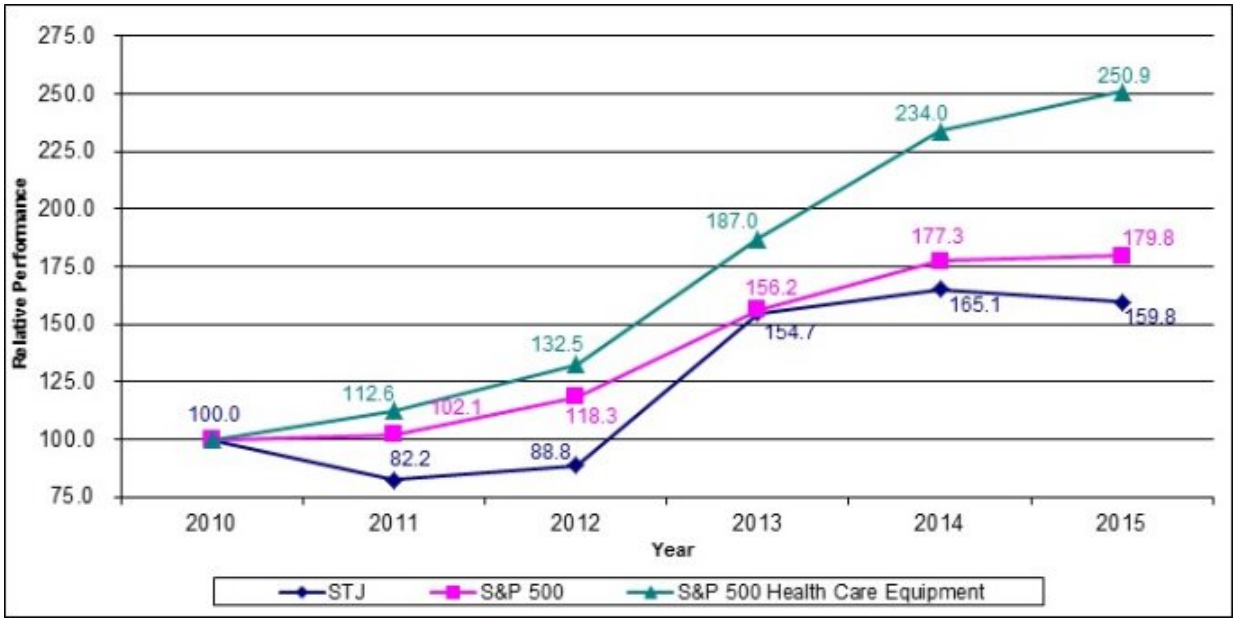
There were no sales of unregistered securities during the three months ended January 2, 2016. As of February 19, 2016, St. Jude Medical, Inc. had 1,765 shareholders of record. St. Jude Medical, Inc.'s stock is listed on the New York Stock Exchange, Inc. (NYSE) as "STJ."

Cash dividends declared totaled $0.29 per share for each quarter in fiscal year 2015 and $0.27 per share for each quarter in fiscal year 2014. The Company expects to continue to pay quarterly cash dividends in the foreseeable future, subject to Board approval. The following prices are the high and low market sales quotations per share of the Company's common stock for the quarters indicated:

	Fiscal Year			
	2015		2014	
Quarter	High	Low	High	Low
First	$ 68.99	$ 63.93	$ 68.79	$ 59.16
Second	$ 76.33	$ 64.96	$ 70.59	$ 59.85
Third	$ 80.84	$ 61.01	$ 71.90	$ 61.00
Fourth	$ 68.97	$ 59.88	$ 70.24	$ 54.80

Stock Performance Graph

The following graph compares the cumulative total shareholder returns for St. Jude Medical common stock for the last five fiscal years with the Standard & Poor's 500 Health Care Equipment Index and the Standard & Poor's 500 Index weighted by market value at each measurement point. The comparison assumes that $100 was invested on December 31, 2010, in St. Jude Medical common stock and in each of these Standard & Poor's indexes and assumes the reinvestment of any dividends.



Item 6. SELECTED FINANCIAL DATA

Five-Year Summary Financial Data
(in millions, except per share amounts)

	2015	2014	2013	2012	2011
Summary of Operations for the Fiscal Year:					
Net sales	$ 5,541	$ 5,622	$ 5,501	$ 5,503	$ 5,612
Net earnings attributable to St. Jude Medical, Inc.	$ 880	$ 1,002	$ 723	$ 752	$ 826
Diluted net earnings per share attributable to St. Jude Medical, Inc.	$ 3.07 **(a)**	$ 3.46 **(b)**	$ 2.49 **(c)**	$ 2.39 **(d)**	$ 2.52
Cash dividends declared per share	$ 1.16	$ 1.08	$ 1.00	$ 0.92	$ 0.84
Financial Position at Year End:					
Total assets **(e)**	$ 13,064	$ 10,193	$ 10,232	$ 9,265	$ 9,109
Long-term debt **(e)**	$ 5,229	$ 2,259	$ 3,502	$ 2,544	$ 2,704

Fiscal year 2014 consisted of 53 weeks. All other fiscal years noted above consisted of 52 weeks.

(a) 2015 diluted net earnings per share attributable to St. Jude Medical, Inc. included after-tax charges of $172 million, or $0.59 per diluted net earnings per share attributable to St. Jude Medical, Inc., related to acquisition-related charges, restructuring activities associated with our 2016 Initiatives, our Manufacturing and Supply Chain Optimization Plan, our 2012 Business Realignment Plan and 2011 Restructuring Plan, product field action costs and litigation costs, legal settlement expenses and intangible asset impairment charges, partially offset by an income tax benefit for discrete income tax adjustments and a net benefit related to insurance recoveries associated with a litigation case. See the Notes to the *Consolidated Financial Statements* in Item 8. "Financial Statements and Supplementary Data" for further detail.

(b) 2014 diluted net earnings per share attributable to St. Jude Medical, Inc. included after-tax charges of $150 million, or $0.52 per diluted net earnings per share attributable to St. Jude Medical, Inc., related to restructuring activities associated with our Manufacturing and Supply Chain Optimization Plan and our 2012 Business Realignment Plan, acquisition-related charges, intangible asset impairment charges, product field action costs and litigation costs and legal settlement expenses, partially offset by a favorable legal settlement and an income tax benefit for discrete income tax adjustments. See the Notes to the *Consolidated Financial Statements* in Item 8. "Financial Statements and Supplementary Data" for further detail.

(c) 2013 diluted net earnings per share attributable to St. Jude Medical, Inc. included after-tax charges of $371 million, or $1.27 per diluted net earnings per share attributable to St. Jude Medical, Inc., related to restructuring activities associated with our 2012 Business Realignment Plan and 2011 Restructuring Plan, debt retirement costs primarily associated with make-whole redemption payments and the write-off of unamortized debt issuance costs, acquisition-related charges, intangible asset impairment charges, product field action costs and litigation costs and a legal settlement charge, partially offset by an income tax benefit from the enactment of a tax law and the settlement of domestic tax audits. See the Notes to the *Consolidated Financial Statements* in Item 8. "Financial Statements and Supplementary Data" for further detail.

(d) 2012 diluted net earnings per share attributable to St. Jude Medical, Inc. included after-tax charges of $321 million, or $1.02 per diluted net earnings per share attributable to St. Jude Medical, Inc., related to restructuring activities associated with our 2012 Business Realignment Plan and 2011 Restructuring Plan, product field action and litigation charges, a legal settlement charge, intangible asset impairment charges, inventory write-offs and an additional income tax charge related to a settlement reserve for certain prior year tax positions.

(e) Effective in 2015, we adopted Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* and used the retrospective application method to adjust the total assets and total debt balances. Prior period balances have been retrospectively adjusted to conform to the current year's presentation.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our business is focused on the development, manufacture and distribution of cardiovascular medical devices for the global cardiac rhythm management, cardiovascular and atrial fibrillation therapy areas, and interventional pain therapy and neurostimulation devices for the management of chronic pain and movement disorders. We operate as a single operating segment and derive our revenues from seven principal product categories. Our seven principal product categories are as follows: tachycardia implantable cardioverter defibrillator (ICD) systems; atrial fibrillation (AF) products (electrophysiology (EP) introducers and catheters, advanced cardiac mapping, navigation and recording systems and ablation systems); bradycardia pacemaker (pacemaker) systems; vascular products (vascular closure products, pressure measurement guidewires, optical coherence tomography (OCT) imaging products, vascular plugs, heart failure monitoring devices and other vascular accessories); structural heart products (heart valve replacement and repair products and structural heart defect devices); neuromodulation products (spinal cord stimulation and radiofrequency ablation to treat chronic pain and deep brain stimulation to treat movement disorders); and Thoratec products (ventricular assist devices and percutaneous heart pumps). We market and sell our products world-wide primarily through a direct sales force.

On January 13, 2016, we announced that we would change our sales reporting starting in 2016 to closely align with how we will manage the business in five key areas: Heart Failure (HF), Atrial Fibrillation, Neuromodulation, Cardiovascular Disease and Traditional Cardiac Rhythm Management. Our sales results were managed on the basis of our existing product categories through 2015, with the intention that sales reporting be managed under the new classification once it is fully effective in the first quarter of 2016.

We utilize a 52/53-week fiscal year ending on the Saturday nearest December 31st. Fiscal years 2015 and 2013 consisted of 52 weeks and ended on January 2, 2016 and December 28, 2013, respectively. Fiscal year 2014 consisted of 53 weeks and ended on January 3, 2015, with the additional week reflected in our fourth quarter 2014 results.

In 2010, significant U.S. healthcare reform legislation, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (collectively PPACA), was enacted into law. As a U.S.-headquartered company with significant sales in the United States, this healthcare reform law has had, and is expected to continue to have, a material impact on us and on the U.S. healthcare system, more generally. Beginning in 2013, the law levied an annual 2.3% excise tax on the majority of our U.S. medical device sales, although the Consolidated Appropriations Act, 2016 (H.R. 2029), signed into law in December 2015, placed a moratorium on this tax in 2016 and 2017.

Net sales in 2015 decreased 1% compared to 2014. Foreign currency translation unfavorably decreased our 2015 net sales by 7% compared to 2014. Partially offsetting the unfavorable foreign currency translation impact, our net sales increased during 2015 compared to 2014 in the following key areas:

- We benefited from incremental net sales associated with our ventricular assist devices, acquired through our acquisition of Thoratec Corporation (Thoratec) during the fourth quarter of 2015.
- Our AF Products continued to benefit from increased EP catheter ablation procedures, led by increased net sales from our TactiCath® irrigated ablation catheter that received U.S. Food and Drug Administration (FDA) approval in October 2014 and incremental net sales from our FlexAbility™ ablation catheter that received FDA approval in January 2015.
- Our CardioMEMS™ HF System has continued to penetrate the market resulting in increased net sales since receiving FDA approval in May 2014.
- We also continued to benefit from incremental net sales from our radiofrequency ablation products and related consumable items, acquired as part of our NeuroTherm acquisition in August 2014.
- Finally, we continued to experience incremental net sales from our Quadra Allure MP™ cardiac resynchronization therapy pacemaker (CRT-P) device that received CE Mark approval in December 2014.

In addition to unfavorable foreign currency translation, we also experienced net sales declines during 2015 compared to 2014 in our traditional pacemaker and ICD devices, our cardiac resynchronization therapy defibrillator (CRT-D) devices, the third party vascular products we distribute in Japan and our mechanical heart valves as the market continues to shift toward a preference for tissue valves. Refer to the *Results of Operations* section for a more detailed discussion of our net sales.

Net sales in 2014 increased 2% compared to 2013. Foreign currency translation unfavorably decreased our 2014 net sales by 1% compared to 2013. The increase in our 2014 net sales compared to 2013 was primarily driven by the following key areas:

- Our AF Products benefited from increased EP catheter ablation procedures and increased sales volumes associated with our intracardiac echocardiography imaging product offerings.
- We also benefited from incremental net sales associated with our NeuroTherm acquisition and FDA approval of the CardioMEMS™ HF System.
- We continued to experience incremental net sales benefits from our 2013 acquisitions of Endosense and Nanostim, and sales volume increases associated with Spinal Modulation's Axium™ Neurostimulator System, a targeted therapy for chronic pain, for which, prior to exercising our purchase option in May 2015, we had been the exclusive distributor.
- Finally, our increased sales volumes associated with our Fractional Flow Reserve (FFR) technology products and OCT imaging products, Trifecta™ pericardial stented tissue valve, transcatheter aortic heart valves and AMPLATZER™ occluder products also continued to benefit our 2014 net sales compared to 2013.

Partially offsetting these net sales increases, we experienced a 2014 net sales decline in our other neuromodulation chronic pain products, our third party vascular products we distribute in Japan and our mechanical heart valves, due to a market preference for tissue valves, compared to 2013. Refer to the *Results of Operations* section for a more detailed discussion of our net sales.

Diluted net earnings per share attributable to St. Jude Medical, Inc. during 2015 was $3.07 compared to $3.46 during 2014 driven by the revenue impacts described previously and the following key items which resulted in net after-tax charges of $0.59 per diluted share during 2015:

- We recognized net after-tax charges of $0.35 per diluted share during 2015 for acquisition-related costs primarily associated with our acquisition of Thoratec, partially offset by contingent consideration fair value adjustments.
- We recognized after-tax special charges of $0.30 per diluted share related to restructuring activities during 2015.
- We recognized an after-tax income tax benefit of $0.07 per diluted share related to discrete income tax adjustments during 2015.
- We recognized net after-tax special charges of $0.02 per diluted share related to product field action costs and litigation costs during 2015.
- We recognized a net after-tax special benefit of $0.01 per diluted share associated with favorable legal settlements including insurance recoveries, partially offset by two unrelated unfavorable legal settlements and one unfavorable legal judgment associated with a product liability claim.

Diluted net earnings per share attributable to St. Jude Medical, Inc. during 2014 was $3.46 compared to $2.49 during 2013 driven by the revenue impacts described previously, partially offset by the following key items which resulted in after-tax charges of $0.52 per diluted share during 2014:

- We recognized after-tax special charges of $0.34 per diluted share related to restructuring activities during 2014.
- We recognized after-tax special charges of $0.13 per diluted share associated with intangible asset impairment charges during 2014.
- We recognized after-tax special charges of $0.13 per diluted share related to product field action costs and litigation costs during 2014.
- We recognized after-tax special charges of $0.12 per diluted share associated with acquisition-related charges during 2014, primarily associated with our acquisitions of Endosense, CardioMEMS, NeuroTherm and Nanostim.
- We recognized an after-tax income tax benefit of $0.17 per diluted share related to discrete income tax adjustments.
- Additionally, we also recognized a net after-tax special benefit of $0.03 per diluted share associated with a legal settlement gain related to a favorable judgment and resolution in a patent infringement case, partially offset by legal settlement expenses associated with three unrelated legal cases.

Refer to the *Results of Operations* section for a more detailed discussion of these charges. In addition to the impact of these after-tax charges, both our 2015 and 2014 diluted net earnings per share attributable to St. Jude Medical, Inc. also increased compared to the same respective prior year period as a result of share repurchases in both 2015 and 2014, resulting in lower outstanding shares compared to the same respective prior year comparable period.

Significant cash flow activity included the following key items:

- We generated $1,039 million of operating cash flows during 2015, compared to $1,304 million of operating cash flows during 2014 and $961 million of operating cash flows during 2013.
- We acquired Thoratec for $3.3 billion in net cash consideration during 2015, compared to our business combination payments of $147 million in 2014 and $292 million in 2013.
- We utilized proceeds of $2.1 billion from a 5-year, $2.6 billion term loan due 2020 (Term Loan Due 2020), together with $1.5 billion of proceeds from unsecured senior notes issued during 2015 to finance a portion of our Thoratec acquisition, and repaid term loans totaling $925 million. During 2014 and 2013, we had net debt issuances of $275 million and $554 million, respectively.
- We also returned $822 million to shareholders in the form of common stock repurchases and dividends during 2015 compared to $779 million during 2014 and $1,115 million during 2013.

Refer to the *Liquidity* section for a more detailed discussion.

RESULTS OF OPERATIONS

Net sales

While we manage our operations globally and believe our product category sales are the most relevant measure of revenue performance, we also utilize geographic area revenue data as a secondary performance measure.

The following table presents net sales to external customers for our seven major product categories (in millions):

	2015	2014	2013	% Change 2015 vs. 2014	% Change 2014 vs. 2013
ICD Systems	$ 1,582	$ 1,746	$ 1,741	(9.4)%	0.3%
Atrial Fibrillation Products	1,096	1,044	957	5.0	9.1
Pacemaker Systems	941	1,047	1,042	(10.0)	0.5
Vascular Products	716	709	704	0.9	0.7
Structural Heart Products	595	639	631	(6.7)	1.3
Neuromodulation Products	475	437	426	8.6	2.6
Thoratec Products	136	—	—	N/A	N/A
Net sales	$ 5,541	$ 5,622	$ 5,501	(1.4)%	2.2%

The following table presents net sales by significant geographic area based on customer location (in millions):

	2015	2014	2013	% Change 2015 vs. 2014	% Change 2014 vs. 2013
United States	$ 2,838	$ 2,657	$ 2,596	6.8 %	2.4 %
Europe	1,384	1,531	1,458	(9.6)	5.0
Japan	456	526	567	(13.2)	(7.2)
Other foreign countries	863	908	880	(5.0)	3.2
Net sales	$ 5,541	$ 5,622	$ 5,501	(1.4)%	2.2 %

Our net sales changes are impacted by multiple factors, the most significant of which are often impacts of acquisitions and foreign currency translation. Operational sales changes include organic volume and selling price impacts. These impacts for 2015 and 2014 were as follows:

	2015	2014
Operational	2.9 %	2.8 %
Acquisitions	3.0	0.7
Translation	(7.3)	(1.3)
Net sales change	(1.4)%	2.2 %

Overall, net sales decreased during 2015 compared to 2014. Geographically, we experienced unfavorable foreign currency translation impacts of $413 million primarily due to the U.S. Dollar strengthening against the Euro and Japanese Yen compared to 2014. Additionally, we have continued to experience a net sales decline in the third party vascular products we distribute in Japan as a result of discontinuing certain distribution relationships and we have experienced net sales declines in our traditional ICD and pacemaker devices in Japan compared to 2014. The decrease in our 2015 net sales was partially offset by incremental net sales associated with our Thoratec and NeuroTherm business combinations and continued benefits in the U.S. from our CardioMEMS™ HF System net sales.

Overall, net sales increased during 2014 compared to 2013 primarily as a result of incremental net sales from our NeuroTherm, Spinal Modulation, Endosense and CardioMEMS business combinations. Geographically, we experienced unfavorable foreign currency translation impacts of $74 million compared to 2013 primarily due to the U.S. Dollar strengthening against the Japanese Yen and Latin American and Asia Pacific currencies, partially offset by the U.S. Dollar weakening against the Euro.

The foreign currency translation impacts to net sales are not necessarily indicative of the net earnings impact of foreign currency translation due to partially offsetting foreign currency translation impacts on cost of sales, operating expenses and our hedging program.

Our 2015 net sales compared to 2014 net sales, and our 2014 net sales compared to our 2013 net sales are discussed by our seven major product categories as follows:

ICD Systems: Our 2015 ICD Systems net sales decreased compared to 2014 ICD Systems net sales due to unfavorable foreign currency translation impacting our 2015 ICD Systems net sales by $103 million (5 percentage points) compared to 2014. Additionally, we experienced net sales declines in both our CRT-D devices and traditional ICD devices, driven by competitive pressures from magnetic resonance imaging (MRI) ICDs, which most significantly impacted our U.S. CRT-D devices causing overall average selling price declines during 2015 compared to 2014.

Our 2014 ICD Systems net sales increased compared to 2013 ICD Systems net sales driven by our Quadra Assura™ for quadripolar CRT-D and our Unify Assura™ CRT-D, launched in 2013. These increases were partially offset by declines in our other ICD categories as well as ICD and CRT-D net sales declines in Japan. Foreign currency translation unfavorably decreased our 2014 ICD Systems net sales by $15 million (1 percentage point) compared to the prior year.

Atrial Fibrillation Products: Our 2015 AF Products net sales continued to benefit from increased EP catheter ablation procedures and our intracardiac echocardiography imaging product offerings compared to our 2014 AF Products net sales. Incremental net sales associated with our TactiCath® irrigated ablation catheter (FDA approval in October 2014) and our FlexAbility™ ablation catheter (FDA approval in January 2015) benefited our net sales during 2015 compared to the prior year. Our net sales also benefited from our Agilis™ NxT steerable introducer and our advanced cardiac mapping systems as a result of increased sales volumes. Foreign currency translation had an $87 million (8 percentage points) unfavorable impact on 2015 AF Products net sales compared to 2014.

Our 2014 AF Products net sales increased over our 2013 AF Products net sales primarily driven by our continued increase in EP catheter ablation procedures and our intracardiac echocardiography imaging product offerings. We also experienced a net sales benefit from our European launch of our TactiCath® irrigated ablation catheter,

acquired through our Endosense acquisition in August 2013, including incremental net sales from our U.S. TactiCath® irrigated ablation catheter product launch after receiving FDA approval in October 2014. Foreign currency translation had a $17 million (2 percentage points) unfavorable impact on our 2014 AF Products net sales compared to 2013.

Pacemaker Systems: Our 2015 Pacemaker Systems net sales were unfavorably impacted by foreign currency translation of $82 million (8 percentage points) compared to our 2014 Pacemaker Systems net sales. Additionally, we experienced net sales declines in our traditional pacemaker devices primarily driven by competitive pressures from MRI pacemakers in the U.S. causing average selling price declines during 2015 compared to 2014. Partially offsetting these net sales decreases, we continued to experience incremental net sales from our Quadra Allure MP™ CRT-P device during 2015 compared to 2014.

Our 2014 Pacemaker Systems net sales increased compared to 2013 Pacemaker Systems net sales primarily due to continued net sales benefits from our July 2013 Accent MRI™ Pacemaker and Tendril MRI™ lead launch in Japan and our Allure Quadra™ CRT-P launch in Europe (CE Mark approval in April 2013). Foreign currency translation unfavorably impacted our 2014 Pacemaker Systems net sales by $17 million (2 percentage points) compared to 2013. Additionally, our U.S. 2014 Pacemaker Systems net sales decreased compared to 2013 primarily due to overall market declines in average selling prices.

Vascular Products: Our 2015 Vascular Products net sales continued to benefit from incremental net sales related to the FDA approval of our CardioMEMS™ HF System in May 2014 compared to 2014 Vascular Products net sales. Unfavorable foreign currency translation impacted our 2015 Vascular Product net sales by $61 million (8 percentage points) compared to 2014 Vascular Products net sales. Additionally, we have continued to experience a 2015 net sales decline in the third party vascular products we distribute in Japan as a result of discontinuing certain distribution relationships compared to 2014. Partially offsetting these net sales decreases we experienced net sales volume increases associated with our FFR technology and OCT imaging products during 2015 compared to 2014.

Our 2014 Vascular Products net sales continued to benefit from incremental net sales related to receiving FDA approval of the CardioMEMS™ HF System in May 2014 and sales volume increases related to our FFR technology and OCT imaging products compared to our 2013 Vascular Products net sales. Partially offsetting these net sales increases, we experienced a 2014 net sales decline in our third party vascular products we distribute in Japan compared to 2013. Foreign currency translation also unfavorably decreased our 2014 Vascular Products net sales by $12 million (2 percentage points) compared to 2013. Additionally, although Angio-Seal™ sales volumes increased during 2014, we experienced an overall net sales decrease as a result of average selling price declines due to competitive pressures compared to 2013. We also continued to experience lower 2014 net sales of our EnligHTN™ Renal Denervation System compared to 2013 driven by expected overall market declines in the treatment of drug-resistant, uncontrolled hypertension.

Structural Heart Products: Our 2015 Structural Heart Products net sales were unfavorably impacted by foreign currency translation of $55 million (9 percentage points) compared to our 2014 Structural Heart Products net sales. We also experienced a 2015 net sales decline in our mechanical heart valves compared to 2014 due to a market preference for tissue valves. Partially offsetting these net sales decreases, we experienced net sales volume increases associated with our left atrial appendage AMPLATZER™ occluder products.

Our 2014 Structural Heart Product net sales increased over our 2013 Structural Heart Product net sales primarily due to increased sales volumes associated with our Trifecta™ pericardial stented tissue valve, our transcatheter aortic heart valves and our AMPLATZER™ occluder products. Our 2014 net sales volumes of our Trifecta™ pericardial stented tissue valve were partially offset by a net sales volume decrease in our mechanical heart valves due to a market preference for tissue valves. Additionally, foreign currency translation had an $11 million (2 percentage points) unfavorable impact on our 2014 Structural Heart Products net sales compared to 2013.

Neuromodulation Products: Our 2015 Neuromodulation Products net sales increased over our 2014 Neuromodulation Products net sales as a result of our August 2014 acquisition of NeuroTherm. Additionally, we benefited from the launch of Protégé MRI™ spinal cord stimulation system (FDA approval in April 2015), Prodigy MRI™ with burst stimulation (CE Mark approval in August 2015) and Proclaim™ Elite Spinal Cord Stimulation System (FDA approval in November 2015) during 2015 compared to 2014. Partially offsetting these net sales increases, foreign currency translation unfavorably decreased our 2015 net sales by $25 million (5 percentage points) compared to 2014.

Our 2014 Neuromodulation Products net sales increased over our 2013 Neuromodulation Products net sales primarily as a result of our incremental NeuroTherm net sales and our sales volume increases associated with Spinal Modulation's Axium™ Neurostimulator System, a targeted therapy for chronic pain, for which, we had been the exclusive distributor prior to exercising our purchase option in May 2015. Partially offsetting these net sales increases, we experienced a 2014 net sales decline in our other neuromodulation chronic pain products and unfavorable foreign currency translation impacts of $2 million (1 percentage point) on our 2014 Neuromodulation net sales compared to the prior year.

Thoratec Products: Our 2015 Thoratec Products net sales increase was a result of our acquisition of Thoratec in October 2015.

Gross profit

(in millions)	2015	2014	2013	2015 vs. 2014 Change	2014 vs. 2013 Change
Gross profit	$ 3,796	$ 3,969	$ 3,927	(4.4)%	1.1 %
Percentage of net sales	68.5%	70.6%	71.4%	(2.1) pts.	(0.8) pts.

Our 2015 gross profit percentage (or gross margin) was unfavorably impacted by foreign currency translation impacts of 1.2 percentage points compared to 2014. In 2015, we began to enter into foreign exchange forward contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. We expect our hedging program will help mitigate these fluctuations. Additionally, inventory acquired in our Thoratec acquisition was recorded at fair value, which closely approximates normal selling prices. This resulted in higher cost of sales for Thoratec products sold in 2015, which negatively impacted our 2015 gross profit by approximately 0.5 percentage points. A similar impact is expected to continue in early 2016 as the remaining acquired inventory is sold. Additional negative gross margin impact during 2015 compared to 2014 was primarily the result of unfavorable average selling price impacts and geographic sales mix, primarily driven by competitive MRI pacemaker and ICD pressures, which most significantly impacted our U.S. CRT-D and traditional pacemaker devices during 2015 compared to 2014.

Special charges negatively impacted our gross margins during 2015, 2014 and 2013 by $39 million (0.7 percentage points), $56 million (1.0 percentage points) and $45 million (0.8 percentage points), respectively.

Our 2015, 2014 and 2013 gross margins were also negatively impacted by 1.6 percentage points, 1.4 percentage points and 0.9 percentage points, respectively, as a result of excise taxes assessed on the sale of our products. We expect the unfavorable impact of excise taxes on our gross margins to be lower in 2016 and 2017 due to the H.R. 2029 law passed in December 2015, which temporarily suspends the U.S. medical device excise tax. The temporary suspension has no impact on the Puerto Rico excise tax.

Refer to the “Special Charges” section that follows for a more detailed discussion of our special charges.

Selling, general and administrative (SG&A) expense

(in millions)	2015	2014	2013	2015 vs. 2014 Change	2014 vs. 2013 Change
Selling, general and administrative expense	$ 1,878	$ 1,856	$ 1,805	1.2%	2.8%
Percentage of net sales	33.9%	33.0%	32.8%	0.9 pts.	0.2 pts.

The increase in our SG&A expense as a percent of net sales in 2015, 2014 and 2013 was primarily driven by net acquisition-related costs, including contingent consideration fair value adjustments, of $112 million (2.0 percentage points), $56 million (1.0 percentage points) and $21 million (0.4 percentage points), respectively (see Note 11 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data"). The partially offsetting benefit in our SG&A expense as a percent of net sales was driven by our cost savings initiatives, including benefits associated with our restructuring activities.

Research and development (R&D) expense

(in millions)	2015	2014	2013	2015 vs. 2014 Change	2014 vs. 2013 Change
Research and development expense	$ 676	$ 692	$ 691	(2.3)%	0.1 %
Percentage of net sales	12.2%	12.3%	12.6%	(0.1) pts.	(0.3) pts.

Our R&D expense as a percent of net sales has remained relatively consistent over the last few years, reflecting our commitment to fund growth through cost effective innovation. Our investment in R&D reflects our commitment to fund long-term growth opportunities while balancing short-term results. Our global R&D activities primarily include research, development, clinical and regulatory efforts. These efforts are primarily focused on product innovation that we anticipate will ultimately improve patient outcomes, reduce overall healthcare costs and provide economic value to our customers while providing the best possible technology available. We will continue to assess our R&D programs in future periods as we focus on the development of new products and the improvement to existing products.

Amortization of intangible assets

(in millions)	2015	2014	2013	2015 vs. 2014 Change	2014 vs. 2013 Change
Amortization of intangible assets	$ 116	$ 89	$ 79	30.3%	12.7%

The increase in our 2015 intangible asset amortization expense compared to 2014 was driven by an increase in our definite-lived intangible assets as a result of our business combinations during 2015 and 2014. In October 2015, we acquired Thoratec and recognized $683 million of purchased technology and patent intangible assets that have an estimated weighted average useful life of 9.8 years and a $93 million trademark definite-lived intangible asset that has an estimated useful life of 16.0 years. Additionally, our 2015 intangible asset amortization expense reflects a full year of amortizing assets we acquired through prior business combinations compared to a partial year in 2014, discussed further in the following paragraph.

The increase in our 2014 intangible asset amortization expense compared to 2013 was driven by an increase in our definite-lived intangible assets as a result of our 2014 and 2013 business combinations. In August 2014, we acquired NeuroTherm and recognized $87 million of developed technology intangible assets that have estimated useful lives ranging from 11 to 12 years and a $2 million other intangible asset that has an estimated useful life of five years. Additionally, after receiving FDA approval of our CardioMEMS™ HF System in May 2014, we reclassified $63 million of acquired in-process research and development (IPR&D) from an indefinite-lived intangible asset to a purchased technology definite-lived intangible asset, and began amortizing the asset over its estimated useful life of 11 years. In October 2014, we also received FDA approval of our TactiCath® irrigated ablation catheter and reclassified $33 million of acquired IPR&D from an indefinite-lived intangible asset to a purchased technology definite-lived intangible asset, and began amortizing the asset over its estimated useful life of seven years. Additionally, our 2014 intangible asset amortization expense reflects a full year of amortizing assets acquired from our 2013 business combinations. During the second half of 2013, we acquired Nanostim and Endosense and recognized a total of $54 million in developed technology assets with estimated useful lives ranging between seven and 10 years.

Special charges

(in millions)	2015	2014	2013
Cost of sales special charges	$ 39	$ 56	$ 45
Special charges	96	181	301
Total special charges	$ 135	$ 237	$ 346

We recognize certain transactions and events as special charges in our *Consolidated Financial Statements* . These charges (such as restructuring charges, impairment charges, certain legal settlements or product field action costs and litigation costs) result from facts and circumstances that vary in frequency and impact on our results of operations. Generally, special charges are reflected in the *Consolidated Statements of Earnings* within our operating expenses in a separate line item, *special charges* . However, based on the nature of the charge, when certain special charges impact the calculation of gross profit, they are reflected in the line item *cost of sales special charges* within the *Consolidated Statements of Earnings* . The most common special charges impacting the *cost of*

sales special charge line item relate to manufacturing activities. Refer to Note 8 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for a detailed discussion of our special charges.

The following table provides additional detail about our special charges and related income statement classification within our *Consolidated Statements of Earnings* (in millions):

	For the Fiscal Year Ended								
	2015			2014			2013		
Type of Special Charge	Cost of Sales Special Charges	Special Charges	Total Special Charges	Cost of Sales Special Charges	Special Charges	Total Special Charges	Cost of Sales Special Charges	Special Charges	Total Special Charges
Restructuring activities									
2016 Initiatives	$ 12	$ 22	$ 34	$ —	$ —	$ —	$ —	$ —	$ —
Manufacturing and Supply Chain Optimization Plan	29	49	78	7	25	32	—	—	—
2012 Business Realignment Plan	5	9	14	30	78	108	35	185	220
2011 Restructuring Plan	—	(1)	(1)	—	—	—	—	24	24
Other restructuring related charges	—	2	2	—	—	—	—	—	—
Intangible asset impairment charges	—	2	2	—	58	58	—	42	42
Legal settlements	—	(6)	(6)	—	10	10	—	22	22
Product field action costs and litigation costs	(7)	19	12	19	10	29	10	28	38
Total special charges	$ 39	$ 96	$ 135	$ 56	$ 181	$ 237	$ 45	$ 301	$ 346

The 2012 Business Realignment Plan was precipitated by our strategic decision to begin merging four product divisions (legacy Cardiac Rhythm Management, Neuromodulation, Cardiovascular and Atrial Fibrillation divisions) into one integrated operating segment. Upon changing our internal reporting structures in the third quarter of 2014 to align with the new global organization, we initiated the Manufacturing and Supply Chain Optimization Plan. The objectives of this plan were driven by opportunities we identified as a result of the enhanced visibility we had into our newly consolidated manufacturing and supply chain operations. As a net result of these related plans, we have closed certain of our facilities and consolidated their activities into other facilities, we have made changes to our product distribution methods in certain geographies and we now manage our operations with a single, global focus that is tailored, where necessary, for local requirements.

As we refined our long-term forecasts, including the integration of Thoratec into our business, we began to make decisions regarding the programs and initiatives we will prioritize to strengthen our strategic focus (2016 Initiatives). These decisions are being made in alignment with how we will manage the business in five key areas: Heart Failure, Atrial Fibrillation, Neuromodulation, Cardiovascular Disease and Traditional Cardiac Rhythm Management.

We plan to use some of the cost savings from the actions to reinvest in our growth drivers.

Other expense, net

(in millions)	2015	2014	2013
Interest income	$ (3)	$ (5)	$ (5)
Interest expense	103	85	81
Other (income) expense	2	3	191
Other expense, net	$ 102	$ 83	$ 267

Interest income: Our interest income is dependent on our outstanding cash balances and applicable interest rates.

Interest expense: Our interest expense has increased over the last two years as a result of higher average debt balances primarily issued to finance our business combinations. Our interest expense is expected to increase in future periods based on our average outstanding debt balance, given our recent debt issuances to fund our October 2015 acquisition of Thoratec. See Note 4 of our *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for further information on our debt.

Other (income) expense: Generally, our *other (income) expense* includes foreign currency transaction gains and losses, realized available-for-sale security gains and losses and gains and losses on derivative instruments not designated as hedging instruments. During 2015, we recognized $13 million of commitment fees associated with an unused bridge facility in *other (income) expense* . During 2013, we redeemed the full $700 million principal amount of 5-year, 3.75% unsecured senior notes originally due in 2014 (2014 Senior Notes) and the full $500 million principal amount of 10-year, 4.875% unsecured senior notes originally due in 2019 (2019 Senior Notes). In connection with the redemption of these notes prior to their scheduled maturities, we recognized a $161 million debt retirement charge to *other (income) expense* associated primarily with make-whole redemption payments and the write-off of unamortized debt issuance costs. Additionally, in connection with the initial February 2013 consolidation of CardioMEMS, we recognized a $29 million loss to *other (income) expense* related to a fair value remeasurement adjustment during 2013 to adjust the carrying value of our CardioMEMS equity investment and fixed price purchase option. Partially offsetting these expenses, we recognized $22 million, $3 million and $13 million of realized gains associated with the sales of available-for-sale securities in 2015, 2014 and 2013, respectively. The remaining increase in *other (income) expense* during 2015, 2014 and 2013 was substantially related to our foreign currency transaction losses.

Income taxes

(as a percent of earnings before income taxes and noncontrolling interest)	2015	2014	2013
Effective tax rate	6.7%	10.6%	11.7%

Our effective tax rate differs from our U.S. federal statutory 35% tax rate due to our international operations that are subject to foreign tax rates that are lower than the U.S. federal statutory rate, state and local taxes and domestic tax incentives. Our effective tax rate is also impacted by discrete factors or events such as special charges, non-deductible charges, tax law changes or the resolution of audits by tax authorities.

Special charges, acquisition-related costs and discrete items favorably impacted the 2015 effective income tax rate by 9.9 percentage points. Special charges and discrete items recognized during 2014 favorably impacted the effective tax rate by 7.4 percentage points. Debt redemption charges and special charges favorably impacted our 2013 effective tax rate by 7.7 percentage points. Additionally, our 2013 effective tax rate includes the full year 2012 benefit of the R&D tax credit, which was extended for 2012 in January 2013. As a result of the late extension, our effective tax rate for 2013 was favorably impacted by 1.6 percentage points. Our effective tax rate, except for those items noted above, has been favorably impacted largely by changes in the mix of income before income taxes between the U.S. and foreign countries.

Net loss attributable to noncontrolling interest

(in millions)	2015	2014	2013
Net loss attributable to noncontrolling interest	$ (14)	$ (47)	$ (31)

Net loss attributable to noncontrolling interest represents the elimination of the losses attributable to non-St. Jude Medical, Inc. ownership interests in St. Jude Medical, Inc. consolidated entities. The changes in the net loss attributable to noncontrolling interest are largely related to the differing periods during which there were non-St. Jude Medical, Inc. ownership interests in CardioMEMS and Spinal Modulation. Refer to Note 2 of the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for additional information.

LIQUIDITY AND CAPITAL RESOURCES

We believe that our existing cash balances, future cash generated from operations and available borrowing capacity under our 5-year, $1.5 billion revolving, unsecured committed credit facility (Credit Facility Expiring 2020) and our commercial paper program will be sufficient to fund our operating needs, working capital requirements, R&D opportunities, capital expenditures, debt service requirements, share repurchases and shareholder dividends over the next 12 months and in the foreseeable future thereafter. Also, see the *Off-Balance Sheet Arrangements and Contractual Obligation* section that follows.

We believe that our earnings, cash flows and balance sheet position will permit us to obtain additional debt financing or equity capital should suitable investment and growth opportunities arise. We monitor capital markets regularly and may raise additional capital when market conditions or interest rate environments are favorable.

As of January 2, 2016, most of our cash and cash equivalents were held by our non-U.S. subsidiaries. A portion of these foreign cash balances are associated with earnings that are permanently reinvested and which we plan to use to support our continued growth plans outside the United States through funding of operations and other investment and growth opportunities. The majority of these funds are only available for use by our U.S. operations if they are repatriated into the United States. The funds repatriated would be subject to additional U.S. taxes upon repatriation; however, it is not practicable to estimate the amount of additional U.S. tax liabilities we would incur. We currently have no plans to repatriate these funds held by our non-U.S. subsidiaries.

Total debt increased to $6,392 million at January 2, 2016 from $3,852 million at January 3, 2015. During 2015, we issued $1.5 billion of unsecured senior notes and utilized proceeds of $2.1 billion from our 5-year, $2.6 billion Term Loan Due 2020 to finance a portion of our Thoratec acquisition. Additionally, we entered into a 365-day, $175 million Term Loan due 2016 (Term Loan due 2016) that was used to acquire the remaining ownership interest in Spinal Modulation. We also entered into the Credit Facility Expiring 2020 that we may draw upon to refinance existing indebtedness and for general corporate purposes. The Credit Facility Expiring 2020 amended and restated our previous $1.5 billion unsecured committed credit facility that was scheduled to expire in May 2018. As of January 2, 2016 and January 3, 2015, we had no outstanding borrowings under either facility. Partially offsetting our debt issuances, we repaid term loans totaling $925 million, including the Term Loan Due 2016, and made $285 million in net commercial paper payments. On January 15, 2016, we drew the remaining $500 million of the $2.6 billion Term Loan Due 2020 to refinance existing indebtedness and for general corporate purposes.

As expected from our debt issuances, rating agencies took the following actions:

- On September 14, 2015, in connection with our $1.5 billion unsecured senior notes issuance, Fitch Ratings downgraded our long term ratings to A- and downgraded our short term rating to F2 with stable outlook and assigned an A- rating to the $1.5 billion unsecured senior notes.
- On October 8, 2015, after completing our acquisition of Thoratec, Moody’s Investors Service downgraded our senior unsecured ratings to Baa2 with negative outlook and affirmed our Prime-2 short term rating;
  Standard and Poor’s Ratings Services downgraded our corporate credit rating to A- with negative outlook and lowered our short term and commercial paper rating to A2.

As a result of the downgrade in our credit ratings, our interest rate on our Credit Facility Expiring 2020 changed from a rate of London InterBank Offered Rate (LIBOR) plus 0.680% to LIBOR plus 0.900%.

These announcements were a reflection of the increase in our debt used to support our acquisition of Thoratec. We do not expect the actions by the ratings agencies to have a significant impact on our liquidity or future flexibility to access additional funding.

Agency ratings are subject to change, and there can be no assurance that a ratings agency will continue to provide ratings and/or maintain its current ratings. A security rating is not a recommendation to buy, sell or hold securities, and may be subject to revision or withdrawal at any time by the rating agency, and each rating should be evaluated independently of any other rating. Agency ratings are based on a number of factors, which include financial strength, business and financial risk, as well as transparency with rating agencies and timeliness of financial reporting.

Certain of our debt outstanding and available borrowings contain operating and financial covenants. Specifically, the Credit Facility Expiring 2020 and the Term Loan Due 2020 require that we have a leverage ratio (defined as the ratio of indebtedness to EBITDA (net earnings before interest expense, income taxes, depreciation, amortization and certain income and expenses)) not exceeding 4.25 to 1.0 through the fiscal year ending January 2, 2016, 4.0 to 1.0 for the fiscal quarters of 2016, and 3.5 to 1.0 thereafter. In February 2016, we amended the Credit Facility Expiring 2020 and the Term Loan Due 2020 to clarify the leverage ratio calculation to exclude certain expenses relating to the Thoratec acquisition incurred in the fourth quarter of 2015 and include EBITDA from Thoratec for periods prior to completion of the business combination. Additionally, during the third quarter of 2015, we amended a debt covenant related to our 1.580% Yen Denominated Senior Notes Due 2017 and our 2.040% Yen Denominated Senior Notes Due 2020 (Yen Notes) to require a ratio of total debt to total capitalization not exceeding 65% through the second fiscal quarter of 2016 and reducing to 60% thereafter. Under the Credit Facility Expiring 2020, Term Loan Due 2020, senior notes and Yen Notes, we also have certain limitations on how we conduct our business, including limitations on dividends, additional liens or indebtedness and limitations on certain acquisitions, mergers, investments and dispositions of assets. We were in compliance with all of our debt covenants as of January 2, 2016. For further information on our debt obligations outstanding at January 2, 2016, refer to Note 4 of the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data."

A summary of our cash flows from operating, investing and financing activities is provided in the following table (in millions):

	2015	2014	2013
Net cash provided by (used in):			
Operating activities	$ 1,039	$ 1,304	$ 961
Investing activities	(3,445)	(339)	(522)
Financing activities	1,692	(827)	(257)
Effect of currency exchange rate changes on cash and cash equivalents	(61)	(69)	(3)
Net (decrease) increase in cash and cash equivalents	$ (775)	$ 69	$ 179

Operating Cash Flows

Operating cash flows can fluctuate significantly from period to period due to payment timing differences of working capital accounts such as accounts receivable, inventories, accounts payable, accrued liabilities and income taxes payable. During 2015, our operating cash flows were negatively impacted due to Thoratec acquisition-related costs. During 2013, our operating cash flows were negatively impacted due to higher tax payments made as a result of a tax audit settlement associated with certain tax audits related to our 2002 through 2009 tax years.

We use two primary measures that focus on accounts receivable and inventory – days sales outstanding (DSO) and days inventory on hand (DIOH). We use DSO as a measure that places emphasis on how quickly we collect our accounts receivable balances from customers. We use DIOH, which can also be expressed as a measure of the estimated number of days of cost of sales on hand, as a measure that places emphasis on how efficiently we are managing our inventory levels. These measures may not be computed the same as similarly titled measures used by other companies. Our DSO (ending net accounts receivable divided by average daily sales for the most recently completed quarter) was 78 days at January 2, 2016 compared to 77 days at January 3, 2015 and 91 days at December 28, 2013. The overall decrease in our DSO over the last two years compared to December 28, 2013 is primarily a result of our increased receivable collection efforts as well as foreign currency translation impacts reducing our accounts receivable balance compared to the balance at December 28, 2013. Our DIOH (ending net inventory divided by average daily cost of sales for the most recently completed six months) was 179 days at January 2, 2016 compared to 170 days at January 3, 2015 and 158 days at December 28, 2013. Inventory acquired through our acquisition of Thoratec and related inventory step charges recognized in cost of sales in the last half of

2015 increased our DIOH by 10 days. The increase was primarily a result of additional Thoratec inventory acquired with only 13 weeks of Thoratec cost of sales activity based on our October 8, 2015 acquisition date. Special charges recognized in cost of sales in the last half of 2015 partially offset the Thoratec inventory impacts to our DIOH, reducing our January 2, 2016 DIOH by 6 days. Special charges recognized in cost of sales in the second half of 2014 reduced our January 3, 2015 DIOH by 7 days, and special charges recognized in cost of sales in the second half of 2013 reduced our December 28, 2013 DIOH by 5 days. The overall increase in our DIOH at January 2, 2016 and January 3, 2015 compared to our DIOH at December 28, 2013 is the result of higher inventory levels due to our business combinations and more inventory on hand to support our product launches.

Investing Cash Flows

We acquired Thoratec for $3.3 billion in net cash consideration during 2015, NeuroTherm for $147 million in net cash consideration during 2014, and Endosense and Nanostim for $171 million and $121 million in net cash consideration, respectively, during 2013, which have all contributed to our recent growth. We expect to continue to benefit from our recent business combinations in future periods. Additionally, our purchases of property, plant and equipment totaled $186 million , $190 million and $222 million in 2015, 2014 and 2013, respectively, primarily reflecting our continued investment in our product growth platforms currently in place.

Financing Cash Flows

Our financing cash flows can fluctuate significantly depending upon our liquidity needs, the extent of our common stock repurchases and the amount of stock option exercises. A summary of our financing cash flows is provided in the following table (in millions):

	2015	2014	2013
Stock issued under employee stock plans, including tax benefit	$ 163	$ 156	$ 458
Common stock repurchases	(500)	(476)	(833)
Dividends paid	(322)	(303)	(282)
Debt borrowings, net	2,562	275	554
Purchase of shares from noncontrolling ownership interest	(173)	(344)	—
Payment of contingent consideration	—	(128)	—
Other, net	(38)	(7)	(154)
Net cash provided by (used in) financing activities	$ 1,692	$ (827)	$ (257)

During 2015, we entered into a $175 million Term Loan Due 2016 that was used to acquire the remaining ownership interest in Spinal Modulation and issued $1.5 billion of unsecured senior notes together with proceeds of $2.1 billion from our 5-year, $2.6 billion Term Loan Due 2020 issuance to finance a portion of our Thoratec acquisition. Partially offsetting our 2015 debt issuances, we repaid our 2-year, $500 million unsecured term loan due June 2015, our 364-day, $250 million unsecured term loan due August 2015, our $175 million Term Loan Due 2016 and made net commercial paper payments of $285 million. We exercised our exclusive option and paid $173 million to Spinal Modulation’s shareholders to obtain the remaining 81% ownership interest in the company that we did not previously own. Both of our yen-denominated credit facilities that expired in June 2015 and March 2015 for 3.25 billion Japanese Yen each (the combined equivalent of $54 million as of January 2, 2016) were automatically extended for a one-year period bearing interest at Yen LIBOR plus 0.270% and Yen LIBOR plus 0.250%, respectively. Refer to Notes 4 and 6 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for further information.

During 2014, we exercised our exclusive option and paid $344 million to CardioMEMS' shareholders to obtain the remaining 81% ownership interest in the company that we did not previously own. Additionally, we received FDA approval of the TactiCath® irrigated ablation catheter and settled the contingent consideration liability. Refer to Notes 6 and 11 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for further information regarding both of these transactions. Additionally, during 2014, we entered into a 364-day, $250 million unsecured term loan and used the proceeds for general corporate purposes, including the acquisition of NeuroTherm.

During 2013, we issued $900 million principal amount of 10-year, 3.25% unsecured senior notes (2023 Senior Notes) and $700 million principal amount of 30-year, 4.75% unsecured senior notes (2043 Senior Notes). We used

the majority of the proceeds to redeem both our $700 million principal amount 2014 Senior Notes and our $500 million principal amount 2019 Senior Notes. We used the remaining proceeds from the issuance of our 2023 Senior Notes and 2043 Senior Notes for general corporate purposes. We also entered into a 2-year, $500 million unsecured term loan during 2013 and used the proceeds for general corporate purposes.

Generally, our common stock repurchases are funded from cash generated from operations and issuances of commercial paper. Changes in our common stock repurchases can vary from year to year based on our Board of Director authorization limits.

We have increased our dividends every year since 2011. On February 19, 2016 our Board of Directors authorized a cash dividend of $0.31 per share payable on April 30, 2016 to shareholders of record as of March 31, 2016. We expect to continue to pay quarterly cash dividends in the foreseeable future, subject to Board approval.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

We believe that our off-balance sheet arrangements do not have a material current or anticipated future effect on our consolidated earnings, financial position or cash flows. Our off-balance sheet arrangements principally consist of operating leases for various facilities and equipment and purchase commitments.

In the normal course of business, we periodically enter into agreements that require us to indemnify customers or suppliers for specific risks, such as claims for injury or property damage arising out of our products or the negligence of our personnel or claims alleging that our products infringe third-party patents or other intellectual property. In addition, under our bylaws and indemnification agreements we have entered into with our executive officers and directors, we may be required to indemnify our executive officers and directors for losses arising from their conduct in an official capacity on behalf of St. Jude Medical. We may also be required to indemnify officers and directors of certain companies that we have acquired for losses arising from their conduct on behalf of their companies prior to the closing of our acquisition. Our maximum exposure under these indemnification obligations cannot be estimated, and we have not accrued any liabilities within our *Consolidated Financial Statements* or included any indemnification provisions in our commitments table. Historically, we have not experienced significant losses on these types of indemnification obligations.

A summary of contractual obligations and other minimum commercial commitments as of January 2, 2016 is as follows (in millions):

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual obligations related to off-balance sheet arrangements:					
Operating lease obligations	$ 190	$ 53	$ 62	$ 43	$ 32
Purchase obligations (a)	429	373	37	19	—
Total	$ 619	$ 426	$ 99	$ 62	$ 32
Contractual obligations reflected in the balance sheet:					
Long-term debt obligations (b)	$ 7,463	$ 750	$ 1,025	$ 2,550	$ 3,138
Contingent consideration (c)	151	118	25	8	—
Uncertain tax positions (d)	150	150	—	—	—
Total	$ 7,764	$ 1,018	$ 1,050	$ 2,558	$ 3,138
Grand Total (e)	$ 8,383	$ 1,444	$ 1,149	$ 2,620	$ 3,170

(a) These amounts include commitments for inventory purchases and capital expenditures that do not exceed our projected requirements and are in the normal course of business. The purchase commitment amounts do not represent the entire anticipated purchases and capital expenditures in the future, but only those for which we are contractually obligated (enforceable and legally binding with all significant terms).

(b) Includes scheduled maturities of long-term debt and scheduled interest payments. See Note 4 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for additional information on our debt obligations. Based on our anticipated future liquidity, we may make payments on our long-term debt in advance of our scheduled maturities.

(c) Generally, these amounts include our contingent consideration payments related to certain of our acquisitions. In connection with these acquisitions, we may have agreed, or companies that we acquired may have previously agreed, to provide additional consideration payments upon the achievement of certain product development milestones, which may include but are not limited to successful levels of achievement in clinical trials and certain product regulatory approvals. We may also provide for additional consideration payments to be made upon the achievement of certain levels of future product sales. While it is not certain if and/or when these payments will be made, we have included the current fair values of payments in the table based on our best estimates of the dates when we expect the milestones and/or contingencies will be met.

(d) The table includes the current portion of the liability for uncertain tax positions, which is expected to be paid in the next 12 months. The table does not include our noncurrent liability for uncertain tax positions of $208 million or our related accrual for gross interest and penalties of $38 million as of January 2, 2016, as we are uncertain as to if or when such amounts may be paid.

(e) The table does not include other liabilities of $302 million pertaining to non-qualified deferred compensation because the timing of the future cash payments is uncertain.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of our *Consolidated Financial Statements* in accordance with accounting principles generally accepted in the United States (U.S. GAAP) requires us to adopt various accounting policies and to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Our significant accounting policies are disclosed in Note 1 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data."

On an ongoing basis, we evaluate our estimates and assumptions, including those related to our acquisition-related measurements, income taxes and legal proceedings. We base our estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, and the results form the basis for making judgments about the reported values of assets, liabilities and expenses. Actual results may differ from these estimates. Senior management has discussed the development, selection and disclosure of its critical accounting policies and estimates with the Audit Committee and the Board of Directors. We believe that the following represent our most critical accounting estimates because (1) they are most important to the portrayal of our financial conditions and results and (2) they require our most difficult, subjective or complex judgments:

Acquisition-related Measurements

We make significant estimates in performing the initial measurements required by the acquisition method of accounting. Certain related items, such as intangible assets, contingent consideration and goodwill are subsequently measured as described below. The inputs and assumptions for the various estimates are often interrelated. As a result, a change to an assumption for a single acquired technology, for example, may affect several of the measurements and may simultaneously have favorable and unfavorable impacts on our *Consolidated Statements of Earnings* .

Business Combinations: We applied the acquisition method of accounting to one transaction in 2015, one transaction in 2014 and four transactions in 2013. When we apply the acquisition method of accounting, the total purchase consideration is allocated to identifiable assets acquired, liabilities assumed and noncontrolling interests (“net assets”). Any residual purchase consideration is recorded as goodwill. Identifying net assets requires significant judgment, especially with respect to intangible assets, including IPR&D activities, of the acquired entity. Specific acquired IPR&D projects that are to be used in our R&D activities are separately identified as one or more units of account (generally based on jurisdiction) in purchase accounting when the projects have substance and are incomplete at the business combination date.

Determining the total purchase consideration utilizes significant estimates when we previously hold an equity interest in the acquired entity and/or when the terms of the agreements contain contingent consideration payments. The allocation of the purchase price among the net assets utilizes significant estimates in determining the fair values of the respective net assets, especially with respect to intangible assets (including IPR&D assets). We

typically engage independent third-party appraisal firms to assist in the estimation process. Examples of the significant estimates and assumptions inherent in the initial measurements include, but are not limited to:

- timing and amount of revenue and future cash flows, which often depend on estimates of relevant market sizes, expected market growth rates, trends in technology (including the impacts of anticipated product introductions by competitors, legal agreements and patent litigation), the expected useful lives of acquired technologies and the expected completion date of IPR&D projects;
- expected costs to develop the IPR&D projects into commercially viable products, which include the stage of completion, the complexity of the work to complete, the contribution of core technologies and other acquired assets and the required clinical investment to obtain regulatory approval;
- the discount rate reflecting the risk inherent in future cash flows; and
- perpetual growth rate used to calculate the terminal value, where applicable.

While we use our best estimates and assumptions to accurately value the net assets at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the net assets with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of the net assets, whichever comes first, any subsequent adjustments are recorded to our *Consolidated Statements of Earnings.*

Intangible Assets: We make estimates and assumptions in accounting for intangible assets subsequent to acquisition for which results will emerge over long periods of time. These estimates and assumptions are closely monitored by management and periodically adjusted as circumstances warrant.

The carrying values of our definite-lived intangible assets were $1,370 million and $708 million at January 2, 2016 and January 3, 2015, respectively, and consisted primarily of purchased technology and patents. We establish the estimated useful lives of these intangible assets at the acquisition date by considering our expected uses of the assets, provisions that may limit the useful lives, the effects of obsolescence and other factors. If reliably determinable, we amortize these assets in a pattern reflecting consumption of their economic benefits; otherwise we utilize the straight-line amortization method. We test these assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Examples of indicators we monitor include, but are not limited to, significant adverse changes in the manner in which the asset is being used, legal and regulatory factors, business climate (including impacts of competing technologies) and forecasted cash flows. If we determine that the carrying amounts for the assets are not recoverable, we impair the carrying amounts to the assets' fair values using the income approach and updated estimates and assumptions. During 2015 and 2013 we recognized impairment charges of $2 million and $13 million, respectively. There were no impairments of definite-lived intangible assets in 2014.

The carrying values of our indefinite-lived intangible assets were $856 million and $143 million at January 2, 2016 and January 3, 2015, respectively, and consisted primarily of IPR&D projects. We test these assets for impairment annually or more frequently if events or changes in circumstances (including completion or abandonment of the IPR&D projects) indicate that the fair value of the asset is more likely than not below its carrying amount. In evaluating whether a quantitative test is necessary, we consider the totality of all relevant events or circumstances that could affect the significant inputs used to determine the fair values of these assets. This assessment includes consideration of qualitative factors such as macroeconomic conditions, industry and market considerations, cost factors, financial performance, entity-specific events and regulatory or other factors. If we determine that an indefinite-lived intangible asset is more likely than not impaired, we impair the carrying amount to the asset's fair value using the income approach and updated estimates and assumptions. When an IPR&D project is completed (generally upon receipt of regulatory approval), the asset is then accounted for as a definite-lived intangible asset. During 2014, we reclassified $96 million of IPR&D to definite-lived intangible assets. During 2014 and 2013, we recognized impairment charges of $58 million and $29 million, respectively. There were no impairments of indefinite-lived intangible assets in 2015.

Contingent Consideration: The fair value of our contingent consideration was $151 million and $50 million at January 2, 2016 and January 3, 2015, respectively. The fair value of contingent consideration is remeasured to the estimated fair value each reporting period with the change in fair value recognized in *selling, general and administrative expense* in our *Consolidated Statements of Earnings.* Changes in the fair value of the contingent consideration liability can result from changes in discount rates and periods as well as changes in the timing and amounts of revenue estimates or in the timing or likelihood of achieving the milestones that trigger payment. These

changes resulted in (benefits) or charges of ($87 million), $22 million and $1 million during 2015, 2014 and 2013, respectively.

Income Taxes

We estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense as well as assessing temporary differences in the treatment of items for tax and financial accounting purposes. These timing differences result in deferred tax assets and liabilities, which are included in our *Consolidated Balance Sheets* . We assess the likelihood that our deferred tax assets will be realized from future taxable income after consideration of all positive and negative evidence. Evidence we consider varies for different tax jurisdictions. In situations in which we have been able to conclude that our deferred tax assets will be realized, we have generally relied on future reversals of taxable temporary differences, expected future taxable income where such estimates have historically been reliable and other factors. Certain of our subsidiaries in international tax jurisdictions, however, are in cumulative loss positions and have experienced cumulative losses in recent periods. Experiencing cumulative losses in recent periods is considered significant negative evidence that is difficult to overcome with other positive evidence. In these situations, we reduce the carrying value of deferred tax assets that arose primarily from net operating losses and tax credit carryforwards by recording valuation allowances because we do not believe it is more-likely-than-not that these assets will be realized. Gross deferred tax assets were $1,012 million and $1,066 million at January 2, 2016 and January 3, 2015, respectively. We have established valuation allowances of $337 million and $400 million at January 2, 2016 and January 3, 2015, respectively.

We have not provided U.S. income taxes on certain of our non-U.S. subsidiaries' undistributed earnings, as such amounts are intended to be reinvested outside the United States indefinitely based on our specific business plans and tax strategies. Our business plans and tax strategies consider: (i) short-term and long-term forecasts and budgets of the U.S. parent and non-U.S. subsidiaries; (ii) working capital and other needs in locations where earnings are generated; (iii) our past practices regarding non-U.S. subsidiary dividends; (iv) sources of financing by the U.S. parent, such as issuing debt; and (v) uses of cash by the U.S. parent that are more discretionary in nature, such as business combinations and share repurchase programs. However, should we change our business plans and tax strategies in the future and decide to repatriate a portion of these earnings to one of our U.S. subsidiaries, including cash maintained by these non-U.S. subsidiaries, we would recognize additional U.S. tax liabilities. It is not practicable to estimate the amount of additional U.S. tax liabilities we would incur.

We record our income tax provisions based on our knowledge of all relevant facts and circumstances, including the existing tax laws, our experience with previous settlement agreements, the status of current tax audits and examinations and our understanding of how the tax authorities view certain relevant industry and commercial matters. We recognize liabilities for anticipated income tax audit issues in the United States and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. Our estimate of whether additional taxes will be due is based on analyses of whether we believe that it is more-likely-than-not that our tax position is sustainable based solely on its technical merits and consideration of the taxing authorities' widely understood administrative practices and precedents. Our estimate of the extent to which additional taxes will be due is based on analyses of the portion that is greater than 50 percent likely to be realized upon settlement with taxing authorities that have full knowledge of all relevant information.

Although we recognize income tax liabilities related to our uncertain tax positions, our accruals represent accounting estimates that are subject to the inherent uncertainties associated with the tax audit process, and therefore include certain contingencies. The finalization of the tax audit process across the various tax authorities, including federal, state and foreign, often takes many years. We adjust our income tax liabilities in light of changing facts and circumstances as new information becomes available; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current tax liabilities estimate. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional income tax expense would result. As of January 2, 2016, our liability for uncertain tax positions was $338 million and our accrual for gross interest and penalties was $58 million. As of January 3, 2015, our liability for uncertain tax positions was $328 million and our accrual for gross interest and penalties was $44 million.

Legal Proceedings

We operate in an industry that is susceptible to significant product liability and intellectual property claims. Additionally, we have been subject to legal actions involving shareholder derivative actions, securities class actions and other class actions. The outcomes of our legal proceedings are not in our complete control due to inherent uncertainties, including unfavorable rulings or developments, and may not be known for extended periods of time. We record a liability in our *Consolidated Financial Statements* for costs related to claims, including future legal costs, settlements and judgments where we have assessed that a loss is probable and an amount can be reasonably estimated. Where the reasonable estimate of the probable loss is a range, we record the most likely estimate of the loss, or the low end of the range if there is no one best estimate. Product liability claims may be brought by individuals seeking relief for themselves or, increasingly, by groups seeking to represent a class. In situations in which we believe that a loss is at least reasonably possible, we are often not able to estimate an amount or range of potential loss often because the amounts claimed typically bear no relation to the extent of the plaintiff's alleged injury. Estimates of probable losses resulting from our litigation, claims and assessments are inherently difficult to predict, particularly when the matters are in early procedural stages, have incomplete scientific facts or are in legal discovery, involve unsubstantiated or indeterminate claims for damages, potentially involve penalties, fines or punitive damages, or could result in a change in our business practice. Additionally, claims may be asserted against us in the future related to events that are not presently known to us. While it is not possible to predict the outcome for most of our legal proceedings and litigation is subject to inherent uncertainties, there can be no certainty that we may not ultimately incur charges in excess of our presently recorded liabilities. A future adverse ruling, settlement or unfavorable development could have a material adverse effect on our consolidated earnings, financial position or cash flows. Based on our experience and any new developments, we reexamine our estimated probable liabilities and associated expenses each period and where appropriate we adjust our estimated liabilities. As a result, our current estimates are subject to change in future periods.

NEW ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards may become effective for us in fiscal year 2016 and future periods upon finalization. Information regarding new accounting pronouncements that impacted 2015 or our historical *Consolidated Financial Statements* and related disclosures is included in Note 1 to the *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data."

CAUTIONARY STATEMENTS

In this discussion and in other written or oral statements made from time to time, we have included and may include statements that constitute “forward-looking statements” with respect to the financial condition, results of operations, plans, objectives, new products, future performance and business of St. Jude Medical, Inc. and its subsidiaries. Statements preceded by, followed by or that include words such as “may,” “will,” “expect,” “anticipate,” “continue,” “estimate,” “forecast,” “project,” “believe” or similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. These forward-looking statements involve risks and uncertainties. By identifying these statements for you in this manner, we are alerting you to the possibility that actual results may differ, possibly materially, from the results indicated by these forward-looking statements. We undertake no obligation to update any forward-looking statements. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties discussed in the previous section entitled *Off-Balance Sheet Arrangements and Contractual Obligations,* in Part I, Item 1A, "Risk Factors" including the various factors described below and in Part I, Item 7A. "Qualitative and Quantitative Disclosures About Market Risk." Since it is not possible to foresee all such factors, you should not consider these factors to be a complete list of all risks or uncertainties. We believe the most significant factors that could affect our future operations and results are set forth in the following list.

1. Competition, including product introductions by competitors that have advanced technology, better features or lower pricing.
2. Consolidation and other healthcare industry changes leading to demands for price concessions and/or limitations on, or the elimination of, our ability to sell in significant market segments.
3. Changes in laws, regulations or administrative practices affecting government regulation of our products, such as FDA regulations, including those that decrease the probability or increase the time and/or expense of obtaining approval for products or impose additional burdens on the manufacture and sale of medical devices.

4. Governmental legislation, including the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act, and/or regulation that significantly impacts the healthcare system in the United States or in international markets and that results in lower reimbursement for procedures using our products or denies coverage for such procedures, reduces medical procedure volumes or otherwise adversely affects our business and results of operations, including the imposition of any medical device excise tax.
5. Any changes to the U.S. Medicare or Medicaid systems or international reimbursement systems that significantly reduces reimbursement for procedures using our medical devices or denies coverage for such procedures, as well as adverse decisions relating to our products by administrators of such systems on coverage or reimbursement issues.
6. Adverse developments in investigations and governmental proceedings.
7. Changes in accounting rules or tax laws that adversely affect our results of operations, financial position or cash flows.
8. Risks associated with our substantial international operations, including economic and political instability, currency fluctuations, changes in customs, tariffs and other trade restrictions and compliance with foreign laws.
9. Disruptions in the financial markets or changes in economic conditions, including interest rates, inflation rates and exchange rates, that adversely impact the availability and cost of credit and customer purchasing and payment patterns, including the collectability of customer accounts receivable.
10. Our inability to realize the expected benefits from our restructuring initiatives and continuous improvement efforts and the negative unintended consequences such activity could have.
11. Our inability to maintain, protect and enhance our information and manufacturing systems and our products that incorporate information technology or to develop new systems and products as well as risks to the privacy and security of customer, patient, third-party payor, employee, supplier or company information from continually evolving cybersecurity threats.
12. Inability to successfully integrate the businesses that we have acquired in recent years, including our recent acquisition of Thoratec, and that we plan to acquire.
13. The substantial additional indebtedness we incurred to finance the Thoratec acquisition, which may decrease our business flexibility and increase our borrowing costs.
14. A reduction in the number of procedures using our devices caused by cost-containment pressures, publication of adverse study results, initiation of investigations of our customers related to our devices or the development of or preferences for alternative technologies or therapies.
15. Safety, performance or efficacy concerns about our products, many of which are expected to be implanted for many years, some of which may lead to recalls and/or advisories with the attendant expenses and declining sales.
16. Failure to successfully complete, or unfavorable data from, clinical trials for our products or new indications for our products and/or failure to successfully develop markets for such new indications.
17. Assertion, acquisition or grant of key patents by or to others that have the effect of excluding us from market segments or requiring us to pay royalties.
18. Declining industry-wide sales caused by product quality issues or recalls or advisories by us or our competitors that result in loss of physician and/or patient confidence in the safety, performance or efficacy of sophisticated medical devices in general and/or the types of medical devices recalled in particular.
19. Adverse developments in litigation, including product liability litigation, patent or other intellectual property litigation, qui tam litigation or shareholder litigation.
20. The loss of, or price increases by, suppliers of key components, some of which are sole-sourced.
21. Regulatory actions arising from concern over Bovine Spongiform Encephalopathy, sometimes referred to as “mad cow disease,” that have the effect of limiting our ability to market products using bovine collagen, such as Angio-Seal™, or products using bovine pericardial material, such as our Biocor®, Epic™, Trifecta™ and Portico™ tissue heart valves or that impose added costs on the procurement of bovine collagen or bovine pericardial material.
22. Conditions imposed in resolving, or any inability to timely resolve, any regulatory issues raised by the FDA, including Form 483 observations or warning letters, as well as risks generally associated with our health, safety and environmental regulatory compliance and quality systems.
23. Our ability to fund future product liability losses related to claims made subsequent to becoming self-insured.

24. Severe weather or other natural disasters that can adversely impact customer purchasing patterns and/or patient implant procedures or cause damage to the facilities of our critical suppliers or one or more of our facilities, such as an earthquake affecting our facilities in California, Puerto Rico and Costa Rica or a hurricane affecting our facilities in Puerto Rico and Malaysia.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

MARKET RISK

In the normal course of business, we are exposed to market risk primarily due to changes in foreign currency exchange rates and interest rates. Changes in these rates could result in fluctuations in our earnings and cash flows. We regularly assess these risks and have established policies and business practices to protect against the adverse effects of these and other potential exposures. As a result, we do not expect any material losses from these risks.

We are also exposed to credit risk in the event of nonperformance by our counterparties involved in our derivative financial instruments. Our risk, however, is limited to the fair value of the instrument. Additionally, we limit our counterparties to major financial institutions. We perform periodic evaluations of the relative credit standings of these financial institutions and also limit the amount of credit exposure with any one financial institution. We do not anticipate nonperformance by any of our counterparties.

We perform sensitivity analyses to determine the effects that market risk exposures may have on our financial position and results of operations. The financial instruments included in the sensitivity analyses include our senior notes, short-term and long-term variable-rate debt and our derivative financial instruments. Our derivative financial instruments generally include interest rate swaps and foreign exchange forward contracts.

Interest Rate Risk

Interest rate volatility may cause fluctuations in our income statement and cash flows with respect to existing debt and future debt issuances. We manage interest expense using a mix of fixed and floating rate debt. To help manage borrowing costs, we may enter into interest rate swaps that are designated and qualify as fair value hedges. Under these arrangements, we agree to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed upon notional principal amount (see Note 4 of our *Consolidated Financial Statements* within Item 8. "Financial Statements and Supplementary Data" for further information on our debt and references to its related derivatives and/or hedging instruments in prior periods).

To perform the interest rate sensitivity analyses, we assess the change in the fair value of our senior notes and the change in our interest expense on our variable-rate debt assuming a hypothetical change of one percentage point in interest rates. The estimated change in the fair value of our senior notes was measured by recalculating the yield and corresponding fair value impact and comparing the recalculated fair values to the current fair value of our senior notes at January 2, 2016. The change in our estimated 2016 interest expense on our variable-rate debt was recalculated assuming a hypothetical change of one percentage point in interest rates based on our estimated variable-rate debt outstanding during 2016. The interest rates used are based on rates in effect at January 2, 2016. The differences in these comparisons are the hypothetical gains or losses associated with our interest rate risk.

Based on our January 2, 2016 debt obligations and contractual payments due during 2016, we estimate a hypothetical one-percentage point change in our interest rates would have the following impacts (in millions):

Change in:	Hypothetical +1 percentage point	Hypothetical -1 percentage point
Estimated fair value of debt obligations as of January 2, 2016	$ (230)	$ 260
Estimated 2016 interest expense	26	(24)

Foreign Exchange Rate Risk

Foreign currency exchange rates and fluctuations in those rates may cause fluctuations in cash flows related to foreign denominated transactions. We enter into foreign currency forward contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in Euros and Japanese Yen. These transactions are designated as cash flow hedges. We may dedesignate these cash flow hedge relationships in advance of the occurrence of the forecasted transaction. Additionally, we enter into foreign currency forward contracts that are not designated in hedging relationships to offset, in part, the impacts of certain intercompany receivables and payables arising from intercompany purchases of manufactured products. We are also exposed to foreign currency exchange rate fluctuations due to transactions denominated primarily in Euros and the Japanese Yen. When the U.S. Dollar weakens against foreign currencies, the dollar value of sales denominated in foreign currencies increases and vice versa. A hypothetical 10% change in the value of the U.S. Dollar in relation to our foreign currency denominated sales would have an impact of approximately $245 million on our 2015 net sales. This amount is not necessarily indicative of the hypothetical net earnings impact due to partially offsetting impacts on the related cost of sales, operating expenses and cash flow hedges in place in the applicable foreign currencies.

To perform the foreign exchange rate sensitivity analysis for our derivative financial instruments, market values are computed based on the present value of future cash flows as affected by a hypothetical 10% change in the U.S. Dollar against the Euro and Japanese Yen. The foreign currency exchange rates used are based on rates in effect at January 2, 2016. The differences in these comparisons are the hypothetical gains or losses associated with our foreign exchange rate risk. Information provided by this sensitivity analysis does not necessarily represent the actual changes in fair value that we would incur under normal market conditions due to practical limitations as all variables, other than the specific market risk factor, are held constant. In addition, the results of the models are constrained by the fact that forecasted foreign currency cash flows are excluded from the analysis, while the financial instruments relating to the hedged item are included. As a result, reported changes in the values of certain derivative financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of the items being hedged.

At January 2, 2016, a hypothetical 10% weaker U.S. Dollar against hedged currencies, with all other variables held constant, would result in an estimated increase in the fair value of our derivative financial instruments of approximately $94 million as of January 2, 2016. Conversely, a hypothetical 10% stronger U.S. Dollar against hedged currencies, with all other variables held constant, would result in an estimated decrease in the fair value of our financial instruments of approximately $103 million as of January 2, 2016.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Management

Management's Report on the Financial Statements

We are responsible for the preparation, integrity and objectivity of the accompanying financial statements. The financial statements were prepared in accordance with accounting principles generally accepted in the United States and include amounts which reflect management's best estimates based on its informed judgment and consideration given to materiality. We are also responsible for the accuracy of the related data in the annual report and its consistency with the financial statements.

Audit Committee Oversight

The adequacy of our internal accounting controls, the accounting principles employed in our financial reporting and the scope of independent and internal audits are reviewed by the Audit Committee of the Board of Directors, consisting solely of independent directors. The independent registered public accounting firm meets with, and has unrestricted access to, the Audit Committee to discuss the results of its audit work.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). Under the supervision and with the participation of the Company's management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* . Based on this evaluation, we concluded that our internal control over financial reporting was effective as of January 2, 2016. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 2, 2016 excluded Thoratec Corporation, which was acquired by the Company in October 2015 in a purchase business combination. Thoratec Corporation is a wholly-owned subsidiary of the Company whose total assets and total net sales represented less than 35% of consolidated total assets and less than 3% of consolidated net sales, respectively, of the Company as of and for the year ended January 2, 2016. As permitted by guidelines established by the Securities and Exchange Commission, companies are allowed to exclude certain acquisitions from their assessments of internal control over financial reporting during the first year of an acquisition while integrating the acquired companies. Our internal control over financial reporting as of January 2, 2016, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 2, 2016.

/s/ Michael T. Rousseau

Michael T. Rousseau

President and Chief Executive Officer

/s/ Donald J. Zurbay

Donald J. Zurbay

Vice President, Finance and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of St. Jude Medical, Inc.

We have audited St. Jude Medical, Inc.'s internal control over financial reporting as of January 2, 2016, 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). St. Jude Medical, Inc.'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 *Management's Report 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.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Thoratec Corporation, which is included in the consolidated financial statements of St. Jude Medical, Inc. and constituted less than 35% of consolidated total assets as of January 2, 2016 and less than 3% of consolidated net sales for the year then ended. Our audit of internal control over financial reporting of St. Jude Medical, Inc. also did not include an evaluation of the internal control over financial reporting of Thoratec Corporation.

In our opinion, St. Jude Medical, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 2, 2016, 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 St. Jude Medical, Inc. as of January 2, 2016 and January 3, 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended January 2, 2016, and our report dated February 23, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 23, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of St. Jude Medical, Inc.

We have audited the accompanying consolidated balance sheets of St. Jude Medical, Inc. as of January 2, 2016 and January 3, 2015, and the related consolidated statements of earnings, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended January 2, 2016. Our audit also included the financial statement schedule listed in the index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 St. Jude Medical, Inc. at January 2, 2016 and January 3, 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 2, 2016, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), St. Jude Medical, Inc.'s internal control over financial reporting as of January 2, 2016, 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 23, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 23, 2016

CONSOLIDATED STATEMENTS OF EARNINGS
(in millions, except per share amounts)

Fiscal Year Ended	January 2, 2016	January 3, 2015	December 28, 2013
Net sales	$ 5,541	$ 5,622	$ 5,501
Cost of sales:			
Cost of sales before special charges	1,706	1,597	1,529
Special charges	39	56	45
Total cost of sales	1,745	1,653	1,574
Gross profit	3,796	3,969	3,927
Selling, general and administrative expense	1,878	1,856	1,805
Research and development expense	676	692	691
Amortization of intangible assets	116	89	79
Special charges	96	181	301
Operating profit	1,030	1,151	1,051
Interest income	(3)	(5)	(5)
Interest expense	103	85	81
Other (income) expense	2	3	191
Other expense, net	102	83	267
Earnings before income taxes and noncontrolling interest	928	1,068	784
Income tax expense	62	113	92
Net earnings before noncontrolling interest	866	955	692
Less: Net loss attributable to noncontrolling interest	(14)	(47)	(31)
Net earnings attributable to St. Jude Medical, Inc.	$ 880	$ 1,002	$ 723
Net earnings per share attributable to St. Jude Medical, Inc.:			
Basic	$ 3.11	$ 3.52	$ 2.52
Diluted	$ 3.07	$ 3.46	$ 2.49
Cash dividends declared per share:	$ 1.16	$ 1.08	$ 1.00
Weighted average shares outstanding:			
Basic	282.2	285.0	287.0
Diluted	286.3	289.7	290.6

The accompanying Notes to the *Consolidated Financial Statements* are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

Fiscal Year Ended	January 2, 2016	January 3, 2015	December 28, 2013
Net earnings before noncontrolling interest	$ 866	$ 955	$ 692
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on available-for-sale securities, net of tax (expense) benefit of $7 million, $4 million and $3 million, respectively	(12)	(2)	(3)
Unrealized gain (loss) on derivative financial instruments, net of tax (expense) benefit of ($6 million), $0 million and $0 million, respectively	8	—	3
Foreign currency translation adjustment	(168)	(217)	—
Other comprehensive income (loss)	(172)	(219)	—
Total comprehensive income before noncontrolling interest	694	736	692
Total comprehensive loss attributable to noncontrolling interest	(14)	(47)	(31)
Total comprehensive income attributable to St. Jude Medical, Inc.	$ 708	$ 783	$ 723

The accompanying Notes to the *Consolidated Financial Statements* are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
(in millions, except par value and share amounts)

	January 2, 2016	January 3, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 667	$ 1,442
Accounts receivable, less allowance for doubtful accounts of $46 million and $53 million, respectively	1,237	1,215
Inventories	909	784
Deferred income taxes	264	291
Other current assets	188	168
Total current assets	3,265	3,900
Property, Plant and Equipment		
Land, building and improvements	729	709
Machinery and equipment	1,597	1,616
Diagnostic equipment	441	450
Property, plant and equipment, at cost	2,767	2,775
Less: Accumulated depreciation	(1,447)	(1,432)
Net property, plant and equipment	1,320	1,343
Goodwill	5,651	3,532
Intangible assets, net	2,226	851
Deferred income taxes	132	113
Other assets	470	454
TOTAL ASSETS	$ 13,064	$ 10,193
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current debt obligations	$ 1,163	$ 1,593
Accounts payable	201	151
Dividends payable	82	77
Income taxes payable	201	60
Employee compensation and related benefits	309	292
Other current liabilities	517	493
Total current liabilities	2,473	2,666
Long-term debt	5,229	2,259
Deferred income taxes	738	240
Other liabilities	582	784
Total liabilities	9,022	5,949
Commitments and Contingencies (Note 5)	—	—
Shareholders' Equity		
Preferred stock ($1.00 par value; 25,000,000 shares authorized; none outstanding)	—	—
Common stock ($0.10 par value; 500,000,000 shares authorized; 283,450,374 and 286,659,901 shares issued and outstanding, respectively)	28	29
Additional paid-in capital	148	118
Retained earnings	4,211	4,225
Accumulated other comprehensive income (loss)	(345)	(173)
Total shareholders' equity before noncontrolling interest	4,042	4,199
Noncontrolling interest	—	45
Total shareholders' equity	4,042	4,244
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 13,064	$ 10,193

The accompanying Notes to the *Consolidated Financial Statements* are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in millions, except share amounts)

	Common Stock		Additional		Accumulated Other	Non-	Total
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Income (Loss)	controlling Interest	Shareholders' Equity
Balance as of December 29, 2012	295,648,327	$ 30	$ —	$ 4,018	$ 46	$ —	$ 4,094
Net earnings				723		(31)	692
Other comprehensive income (loss)					—	—	—
Cash dividends declared				(286)			(286)
Repurchases of common stock	(18,385,436)	(2)	(287)	(519)			(808)
Stock-based compensation			65				65
Common stock issued under employee stock plans and other, net	11,854,461	1	442				443
Additions in noncontrolling ownership interests						204	204
Balance as of December 28, 2013	289,117,352	29	220	3,936	46	173	4,404
Net earnings				1,002		(47)	955
Other comprehensive income (loss)					(219)	—	(219)
Cash dividends declared				(309)			(309)
Repurchases of common stock	(6,670,817)	(1)	(247)	(186)			(434)
Stock-based compensation			69			2	71
Common stock issued under employee stock plans and other, net	4,213,366	1	134				135
Tax benefit from stock plans			21				21
Measurement period fair value adjustment to noncontrolling interest						(36)	(36)
Purchase of shares from noncontrolling ownership interest			(79)	(218)		(47)	(344)
Balance as of January 3, 2015	286,659,901	29	118	4,225	(173)	45	4,244
Net earnings				880		(14)	866
Other comprehensive income (loss)					(172)	—	(172)
Cash dividends declared				(328)			(328)
Repurchases of common stock	(7,467,660)	(1)	(168)	(331)			(500)
Stock-based compensation			84			2	86
Common stock issued under employee stock plans and other, net	4,258,133	—	139				139
Fair value of replacement equity awards exchanged in business combination			17				17
Tax benefit from stock plans			20				20
Purchase of shares from noncontrolling ownership interest			(62)	(235)		(33)	(330)
Balance as of January 2, 2016	283,450,374	$ 28	$ 148	$ 4,211	$ (345)	$ —	$ 4,042

The accompanying Notes to the *Consolidated Financial Statements* are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

Fiscal Year Ended	January 2, 2016	January 3, 2015	December 28, 2013
OPERATING ACTIVITIES			
Net earnings before noncontrolling interest	$ 866	$ 955	$ 692
Adjustments to reconcile net earnings before noncontrolling interest to net cash from operating activities:			
Depreciation of property, plant and equipment	218	221	218
Amortization of intangible assets	116	89	79
Amortization of debt premium, discounts and debt issue costs	(2)	(5)	(6)
Inventory step-up amortization	30	5	4
Contingent consideration fair value adjustments	(87)	22	1
Payment of contingent consideration	—	(27)	—
Stock-based compensation	160	71	65
Cash settlement of accelerated equity awards	(74)	—	—
Excess tax benefits from stock issued under employee stock plans	(24)	(21)	(15)
Gain on sale of investments	(22)	(3)	(13)
Loss on retirement of long-term debt	—	—	161
Deferred income taxes	(37)	(87)	(124)
Other, net	30	84	75
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	(39)	112	(100)
Inventories	(39)	(102)	(99)
Other current and noncurrent assets	(4)	(70)	13
Accounts payable and accrued expenses	(25)	(60)	31
Income taxes payable	(28)	120	(21)
Net cash provided by operating activities	1,039	1,304	961
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(186)	(190)	(222)
Business combination payments, net of cash acquired	(3,252)	(147)	(292)
Proceeds from sale of investments	30	7	10
Other investing activities, net	(37)	(9)	(18)
Net cash used in investing activities	(3,445)	(339)	(522)
FINANCING ACTIVITIES			
Proceeds from exercise of stock options and stock issued, net	139	135	443
Excess tax benefits from stock issued under employee stock plans	24	21	15
Common stock repurchased, including related costs	(500)	(476)	(833)
Dividends paid	(322)	(303)	(282)
Issuances (payments) of commercial paper borrowings, net	(285)	75	121
Proceeds from debt	3,772	250	2,092
Payments of debt	(925)	(50)	(1,659)
Payments of debt issue costs and commitment fees	(33)	—	(17)
Purchase of shares from noncontrolling ownership interest	(173)	(344)	—
Payment of contingent consideration	—	(128)	—
Other financing activities, net	(5)	(7)	(137)
Net cash provided by (used in) financing activities	1,692	(827)	(257)
Effect of currency exchange rate changes on cash and cash equivalents	(61)	(69)	(3)
Net increase (decrease) in cash and cash equivalents	(775)	69	179
Cash and cash equivalents at beginning of period	1,442	1,373	1,194
Cash and cash equivalents at end of period	$ 667	$ 1,442	$ 1,373
Supplemental Cash Flow Information			
Cash paid during the year for:			
Income taxes	$ 133	$ 140	$ 246
Interest	$ 91	$ 85	$ 95

Noncash investing and financing activities:						
Additions in noncontrolling ownership interests	$	—	$	(36)	$	204
Fair value of acquisition contingent consideration	$	155	$	—	$	188
Fair value of equity awards exchanged in business combination	$	35	$	—	$	—

The accompanying Notes to the *Consolidated Financial Statements* are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company Overview: St. Jude Medical, Inc., together with its subsidiaries (St. Jude Medical or the Company) develops, manufactures and distributes cardiovascular medical devices for the global cardiac rhythm management, cardiovascular and atrial fibrillation therapy areas, and interventional pain therapy and neurostimulation devices for the management of chronic pain and movement disorders. The Company operates as a single operating segment and derives its revenues from seven principal product categories. The Company's seven principal product categories are as follows: tachycardia implantable cardioverter defibrillator (ICD) systems; atrial fibrillation products (electrophysiology (EP) introducers and catheters, advanced cardiac mapping, navigation and recording systems and ablation systems); bradycardia pacemaker (pacemaker) systems; vascular products (vascular closure products, pressure measurement guidewires, optical coherence tomography imaging products, vascular plugs, heart failure monitoring devices and other vascular accessories); structural heart products (heart valve replacement and repair products and structural heart defect devices); neuromodulation products (spinal cord stimulation and radiofrequency ablation to treat chronic pain and deep brain stimulation to treat movement disorders); and Thoratec products (ventricular assist devices and percutaneous heart pumps). The Company markets and sells its products world-wide primarily through a direct sales force.

Principles of Consolidation : The *Consolidated Financial Statements* include the accounts of the Company and its wholly owned subsidiaries and entities for which St. Jude Medical has a controlling financial interest. Intercompany transactions and balances have been eliminated in consolidation. For variable interest entities (VIEs), the Company assesses the terms of its interests in the entity to determine if St. Jude Medical is the primary beneficiary. Variable interests are ownership, contractual or other interests in an entity that change with increases or decreases in the fair value of the VIE's net assets exclusive of variable interests. The entity that consolidates the VIE is considered the primary beneficiary, and is defined as the party with (1) the power to direct activities of the VIE that most significantly affect the VIE's economic performance and (2) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE (see Notes 2 and 6).

Fiscal Year : The Company utilizes a 52/53-week fiscal year ending on the Saturday nearest December 31 st . Fiscal years 2015 and 2013 consisted of 52 weeks and ended on January 2, 2016 and December 28, 2013, respectively. Fiscal year 2014 consisted of 53 weeks and ended on January 3, 2015, with the additional week reflected in the Company's fourth quarter 2014 results.

Reclassifications : Certain prior period amounts have been reclassified to conform to current year presentation.

Use of Estimates : Preparation of the Company's *Consolidated Financial Statements* in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts in the *Consolidated Financial Statements* and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents : The Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates fair value. The Company's cash equivalents include bank certificates of deposit, money market funds and instruments and commercial paper investments. The Company performs periodic evaluations of the relative credit standing of the financial institutions and issuers of its cash equivalents and limits the amount of credit exposure with any one issuer.

Marketable Securities : Marketable securities consist of publicly-traded equity securities that are classified as available-for-sale securities and investments in mutual funds that are classified as trading securities. On the balance sheet, available-for-sale securities and trading securities are classified as *other current assets* and *other assets* , respectively.

The following table summarizes the components of the balance of the Company's available-for-sale securities as of January 2, 2016 and January 3, 2015 (in millions):

	January 2, 2016	January 3, 2015
Adjusted cost	$ 5	$ 6
Gross unrealized gains	6	24
Gross unrealized losses	(1)	—
Fair value	$ 10	$ 30

Available-for-sale securities are reported at fair value based upon quoted market prices (see Note 11). Unrealized gains and losses, net of related incomes taxes, are recognized in *accumulated other comprehensive income* in the *Consolidated Statements of Shareholders' Equity.* Upon the sale of an available-for-sale security, the unrealized gain (loss) is reclassified out of *accumulated other comprehensive income* and reflected as a realized (gain) loss in net earnings (see Note 6). Realized (gains) losses are computed using the specific identification method and recognized as *other (income) expense* . Additionally, when the fair value of an available-for-sale security falls below its original cost and the Company determines that the corresponding unrealized loss is other-than-temporary, it recognizes an impairment loss to net earnings in that period.

The Company's investments in mutual funds are reported at fair market value (see Note 11) and are held in a rabbi trust, which is not available for general corporate purposes and is subject to creditor claims in the event of insolvency. These investments are specifically designated as available to the Company solely for the purpose of paying benefits under the Company's deferred compensation plan (see Note 10).

Accounts Receivable : The Company grants credit to customers in the normal course of business, but generally does not require collateral or any other security to support its receivables. The Company maintains an allowance for doubtful accounts for potential credit losses. Uncollectible accounts are written off against the allowance when it is deemed that a customer account is uncollectible. During 2013, the Company recognized a $9 million accounts receivable allowance charge in connection with a distributor termination in Europe. No significant accounts receivable allowance charges were recognized in 2015 or 2014.

Inventories : Inventories are stated at the lower of cost or market with cost determined using the first-in, first-out method. Inventories consisted of the following (in millions):

	January 2, 2016	January 3, 2015
Finished goods	$ 609	$ 543
Work in process	102	77
Raw materials	198	164
Inventories	$ 909	$ 784

Property, Plant and Equipment : Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over their estimated useful lives, ranging from 15 years to 39 years for buildings and improvements, three to 15 years for machinery and equipment, including capitalized development costs for internal-use software, and three to seven years for diagnostic equipment. Diagnostic equipment primarily consists of programmers that are used by physicians and healthcare professionals to program and analyze data from ICDs and pacemakers. Diagnostic equipment also includes other capital equipment provided by the Company to its customers for use in diagnostic and surgical procedures. The estimated useful lives of this equipment are based on anticipated usage by physicians and healthcare professionals and the timing and impact of expected new technology platforms and rollouts by the Company. The Company also reviews its property, plant and equipment for impairment when impairment indicators exist. When impairment indicators exist, the Company determines if the carrying value of its fixed asset(s) exceeds the related undiscounted future cash flows. In cases where the carrying value of the Company's long-lived assets or asset groups (excluding goodwill and indefinite-lived intangible assets) exceeds the related undiscounted cash flows, the carrying value is written down to fair value. Fair value is generally determined using a discounted cash flow analysis. See Note 11 for further information on fixed asset impairments recognized during 2015, 2014 and 2013.

Fair Value Measurement: The fair value measurement accounting standard provides a framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability. Fair value is a market-based measurement that should be determined using assumptions that market participants would use in pricing an asset or liability. The standard establishes a valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on independent market data sources. Unobservable inputs are inputs that reflect the Company’s assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available. The valuation hierarchy is composed of three categories. The categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The categories within the valuation hierarchy are described as follows:

- Level 1 – Inputs to the fair value measurement are quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs to the fair value measurement include quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.
- Level 3 – Inputs to the fair value measurement are unobservable inputs or valuation techniques.

Goodwill : Goodwill represents the excess of cost over the fair value of identifiable net assets of a business acquired and is assigned to one or more reporting units. The Company tests the reporting unit's goodwill for impairment at least annually in the fourth quarter and between annual tests if an event occurs or circumstances change that would more-likely-than-not reduce the fair value of a reporting unit below its carrying amount. The Company is permitted to first assess qualitative factors to determine whether the two-step goodwill impairment test is necessary. If the qualitative assessment results in a determination that the fair value of a reporting unit is more-likely-than-not less than its carrying amount, the Company performs the two-step goodwill impairment test. The Company may bypass the qualitative assessment for the reporting unit in any period and proceed directly to step one of the two-step goodwill impairment test. In the first step, the Company compares the fair value of the reporting unit to its carrying amount. If the reporting unit's fair value exceeds its carrying amount, goodwill is not impaired. If the carrying amount of the reporting unit is positive and exceeds the reporting unit's fair value, the Company performs the second step to measure the amount of the reporting unit's goodwill impairment loss, if any. In the second step, the Company assigns the reporting unit's fair value to the reporting unit's assets and liabilities using acquisition method accounting to determine the implied fair value of the reporting unit's goodwill. The implied fair value of the reporting unit's goodwill is then compared with the carrying amount of the reporting unit's goodwill to determine the goodwill impairment loss to be recognized, if any. See Note 11 for further information about the results of the goodwill impairment tests in 2015, 2014 and 2013.

Other Intangible Assets : Other intangible assets consist of purchased technology and patents, in-process research and development (IPR&D) acquired in a business combination, customer lists and relationships, trademarks and tradenames, licenses and distribution agreements. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives ranging from three to 20 years. Certain trademark assets are considered indefinite-lived intangible assets and are not amortized. The Company expenses the costs incurred to renew or extend the term of intangible assets.

The Company's policy defines IPR&D as the value of technology acquired for which the related projects have substance and are incomplete. IPR&D acquired in a business acquisition is recognized at fair value and requires the IPR&D to be capitalized as an indefinite-lived intangible asset until completion of the IPR&D project or upon abandonment. Upon completion of the development project (generally when regulatory approval to market the product is obtained), an impairment assessment is performed prior to amortizing the asset over its estimated useful life. If the IPR&D projects are abandoned, the related IPR&D assets would be written off. The purchase of certain intellectual property assets related to technology or products without regulatory approval is considered a purchase of assets rather than the acquisition of a business. For such purchases, rather than being capitalized, any IPR&D acquired in such asset purchases is expensed immediately.

The Company also reviews its indefinite-lived intangible assets for impairment regularly to determine if any adverse conditions exist that would indicate impairment or when impairment indicators exist. The Company assesses its indefinite-lived intangible assets for impairment at least annually by considering qualitative factors such as macroeconomic conditions, industry and market considerations, cost factors, financial performance, entity specific events, changes in net assets and project-based performance toward regulatory approvals. If the qualitative assessment results in a determination that the fair value of an indefinite-lived intangible asset is more-likely-than-not greater than its carrying amount, no additional testing is considered necessary. However, if the Company determines the fair value of its indefinite-lived intangible assets is more-likely-than-not below the carrying value, impairment indicators exist requiring a quantitative assessment to recognize an impairment loss, if necessary. See Note 11 for further information about the indefinite-lived intangible asset impairment tests.

The Company also reviews its definite-lived intangible assets for impairment when impairment indicators exist. When impairment indicators exist, the Company determines if the carrying value of its definite-lived intangible assets exceeds the related undiscounted future cash flows. In cases where the carrying value exceeds the undiscounted future cash flows, the carrying value is written down to fair value. Fair value is generally determined using a discounted cash flow analysis. See Note 11 for further information about the definite-lived intangible asset impairment tests.

Contingent Consideration: In connection with certain business combinations or purchases of intellectual property the Company may agree to provide future contingent consideration payments. Payment of the additional consideration is generally contingent on the acquired company reaching certain performance milestones, including attaining specified revenue levels, achieving product development targets or receiving regulatory approvals to market products. Contingent consideration is recognized on the acquisition date at the estimated fair value of the contingent milestone payment(s). The fair value of the contingent consideration is remeasured to its estimated fair value at each reporting period with the change in fair value recognized in *selling, general and administrative expense* in the Company's *Consolidated Statements of Earnings* (see Note 11). Amounts paid in excess of the amount recorded on the acquisition date are classified as cash flows used in operating activities. Payments not exceeding the acquisition-date fair value of the contingent consideration arrangement are classified as cash flows used in financing activities.

Derivative and Hedging Activities: All derivative financial instruments are recognized on the balance sheet at fair value. Derivative assets and derivative liabilities are classified as *other current assets* , *other assets* , *other current liabilities* or *other liabilities* generally based on the gain or loss position of the hedged item and the instrument's maturity date. As a matter of policy, the Company uses derivatives for risk management purposes and it does not use derivatives for trading or speculative purposes, nor is a party to leveraged derivatives. The Company’s policy is to enter into derivative contracts with major financial institutions that have at least an “A” (or equivalent) credit rating.

A key risk management objective is to mitigate foreign exchange rate volatility and interest rate fluctuations impact on earnings. The Company uses foreign exchange forward contracts, interest rate swaps and interest rate contracts to help mitigate these risks. All hedging instruments that qualify for hedge accounting are designated and effective as hedges, in accordance with U.S. GAAP, which presumes the derivative is highly effective at offsetting changes in fair value or cash flows of the underlying exposure both at inception of the hedging relationship and on an ongoing basis. The method of assessing hedge effectiveness and measuring hedge ineffectiveness is formally documented at hedge inception. The Company assesses hedge effectiveness and measures hedge ineffectiveness at least quarterly throughout the designated hedge period.

The Company enters into foreign exchange forward contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. From time to time, the Company also enters into interest rate contracts, in anticipation of issuing debt, to hedge against interest rate fluctuations. These transactions are designated as cash flow hedges. Changes in the fair value of these derivatives are recognized in *other comprehensive income* . The settlement or extension of these derivatives will result in reclassifications from *accumulated other comprehensive income* to earnings in the period during which the hedged transactions affect earnings and in the same financial statement line item with the earnings effects of the hedged transaction. The Company may dedesignate these cash flow hedge relationships in advance of the occurrence of the forecasted transaction. The portion of gains or losses on the derivative instrument previously accumulated in *other comprehensive income* for dedesignated hedges remains in *accumulated other comprehensive income* until the forecasted transaction occurs.

From time to time, the Company also has entered into interest rate swaps to hedge the fair value of certain debt obligations. For interest rate swap contracts that are designated and qualify as fair value hedges, changes in the value of the fair value hedge are recognized as an asset or liability, as applicable, offsetting the changes in the fair value of the hedged debt instrument. When outstanding, the Company’s swap contracts are classified as *other current assets* , *other assets* , *other current liabilities* or *other liabilities* based on the gain or loss position of the contract and the contract maturity date. Additionally, any payments made or received under the swap contracts are accrued and recognized as *interest expense* in the *Consolidated Statements of Earnings* .

Derivatives not designated as hedging instruments include dedesignated foreign currency forward contracts (formerly designated in cash flow hedging relationships) and foreign currency forward contracts that the Company utilizes to economically hedge the foreign currency impact of assets and liabilities (including intercompany assets and liabilities) denominated in nonfunctional currencies. Although hedge accounting does not apply to the economic hedges, a natural hedging relationship exists in which changes in the fair value of the derivative, which are recognized currently in earnings, act as an economic offset to changes in the fair value of the underlying hedged item(s). The fair value (gains) and losses for instruments that do not qualify for hedge accounting and the related transaction gains and losses are recognized in *other (income) expense* within the *Consolidated Statements of Earnings* .

Cash flows from derivative instruments are classified in the *Consolidated Statements of Cash Flows* in the same category as the cash flows from the items subject to the designated hedge or undesignated (economic) hedge relationship.

Fair values of the Company's derivatives can change significantly from period to period based on, among other factors, market movements and changes in the Company's positions. However, the Company's risk is limited to the fair value of the instruments. The Company monitors its exposure to counterparty credit risk (the risk that counterparties will default and not make payments to the Company according to the terms of the agreements) by selecting major international banks and financial institutions as counterparties and by entering into master netting arrangements with counterparties when possible. A master netting arrangement may allow each counterparty to net settle amounts owed between a St. Jude Medical entity and the counterparty as a result of multiple, separate derivative transactions. The Company, however, has elected to present the fair values of its derivative assets and liabilities within the Company's *Consolidated Balance Sheets* on a gross basis even when derivative transactions are subject to master netting arrangements and may otherwise qualify for net presentation. Derivatives not subject to master netting agreements are not eligible for net presentation (see Note 12).

Product Warranties : The Company offers a warranty on various products, the most significant of which relate to ICD and pacemaker systems. The Company estimates the costs it expects to incur under its warranties and records a liability for such costs at the time the product is sold. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims and cost per claim. The Company regularly assesses the adequacy of its warranty liabilities and adjusts the amounts as necessary.

Changes in the Company's product warranty liability during fiscal years 2015 and 2014 were as follows (in millions):

	2015	2014
Balance at beginning of period	$ 35	$ 37
Assumed from Thoratec Corporation (Thoratec)	7	—
Warranty (benefit) expense recognized	(4)	3
Warranty credits issued	(7)	(5)
Balance at end of period	$ 31	$ 35

Product Liability : Based on historical loss trends and anticipated loss on products sold, the Company accrues for product liability claims through its self-insurance program to adequately cover future losses. Additionally, the Company accrues for product liability claims when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The Company is currently the subject of product liability litigation proceedings and other proceedings described in more detail in Note 5.

Litigation : The Company accrues a liability for costs related to litigation, including future legal costs, settlements and judgments where it has assessed that such costs are probable and an amount can be reasonably estimated. Receivables for insurance recoveries are recognized when it is probable that a recovery will be realized and may sometimes be recorded in a period subsequent from when the liability is incurred for certain litigation matters, such as shareholder or securities litigation.

Revenue Recognition : The Company sells its products to clinics and hospitals primarily through a direct sales force. In certain international markets, the Company sells its products through independent distributors. The Company recognizes revenue when persuasive evidence of a sales arrangement exists, delivery of goods occurs through the transfer of title and risks and rewards of ownership, the selling price is fixed or determinable and collectability is reasonably assured. A portion of the Company's inventory is held by field sales representatives or consigned at customer locations. For such product inventory, revenue is recognized upon implant or when used by the customer. For products that are not consigned, revenue recognition generally occurs upon shipment to the customer or, in the case of distributors, when title transfers under the contract assuming all other revenue recognition criteria are met. The Company offers sales rebates and discounts to certain customers. The Company records such rebates and discounts as a reduction of net sales in the same period revenue is recognized. The Company estimates rebates based on customers' contracted terms and historical sales experience.

Excise Taxes : The Company incurs certain excise taxes in the distribution of its products, including a medical device excise tax assessed on U.S. sales and an excise tax assessed on purchases from the Company's Puerto Rico manufacturing subsidiary. The U.S. medical device excise tax is imposed on the first sale in the U.S. by the manufacturer, producer or importer of a medical device to either a third party or an affiliated distribution entity. The Company capitalizes the assessment of these excise taxes as part of inventory, which is then recognized as cost of sales when the related inventory is sold to a third party customer.

Research and Development (R&D) : R&D costs are expensed as incurred. R&D costs include costs of all basic research activities, including engineering and technical effort required to develop a new product or make significant improvements to an existing product or manufacturing process. R&D costs also include pre-approval regulatory costs and clinical research expenses.

Employee Termination Benefits: Accounting for termination benefits provided by the Company to employees is determined based on the nature of the benefits (e.g., voluntary or involuntary termination) and whether: (a) St. Jude Medical has a substantive plan to providing such benefits, (b) St. Jude Medical has a written employment contract with the impacted employees that includes a provision for such benefits, (c) the termination benefits are due to the occurrence of an event specified in an existing plan or agreement, or (d) the termination benefits are a one-time benefit. In certain circumstances, employee termination benefits may meet more than one of the characteristics listed above and therefore, may have individual elements that are subject to different accounting models.

Other Restructuring Costs: From time to time when executing a restructuring or exit plan, the Company incurs costs that are not associated with or will not be incurred to generate revenues. When these costs are incremental to other costs incurred by St. Jude Medical prior to the restructuring plan communication date and will be incurred as a direct result of a restructuring plan, or represent amounts under a contractual obligation that existed prior to the restructuring plan communication date and will either continue after the restructuring plan is completed with no economic benefit or result in a penalty to cancel a contractual obligation, then the Company classifies such costs as *other restructuring costs* . Such costs are recognized when incurred.

Stock-Based Compensation : The Company recognizes stock-based compensation expense for its related compensation programs, which include stock options, restricted stock units, restricted stock awards and the Employee Stock Purchase Plan (ESPP). The fair value of the stock-based compensation is determined at the grant date and the recognition of the related expense is recorded over the vesting period, using a straight-line attribution method, net of estimated forfeitures. All stock option awards granted under these plans have an exercise price equal to the closing stock price on the date of grant, an eight -year contractual life and generally, vest annually over a four -year vesting term. The Company uses the Black-Scholes standard option pricing model (Black-Scholes model) to determine the fair value of stock options and ESPP purchase rights. In addition to the closing stock price on the date of grant, the determination of the fair value of the awards using the Black-Scholes model is also affected by other assumptions, including projected employee stock option exercise behaviors, risk-free interest rate, expected volatility of the Company's stock price in future periods and expected dividend yield, discussed in further detail:

- *Expected Term* : The Company analyzes historical employee exercise and termination data to estimate the expected term assumption. Annually, the Company updates these assumptions unless circumstances would indicate a more frequent update is necessary.
- *Risk-free Interest Rate* : The rate is based on the U.S. Treasury zero-coupon yield curve on the grant date for a maturity equal to or approximating the expected term of the options.
- *Volatility* : The Company calculates its expected volatility assumption by weighting historical and implied volatilities. The historical volatility is based on the daily closing prices of the Company's common stock over a period equal to the expected term of the option. Market-based implied volatility is based on utilizing market data of actively traded options on the Company's stock, from options at- or near-the-money, at a point in time as close to the grant date of the employee options as reasonably practical and with similar terms to the employee share option, or a remaining maturity of at least six months if no similar terms are available. The historical volatility of the Company's common stock price over the expected term of the option is a strong indicator of the expected future volatility. In addition, implied volatility takes into consideration market expectations of how future volatility will differ from historical volatility. The Company does not believe that one estimate is more reliable than the other, and as a result, the Company uses an equal weighting of historical volatility and market-based implied volatility.
- *Dividend Yield* : The Company's dividend yield assumption is based on the expected annual dividend yield on the grant date.

The fair value of both restricted stock and restricted stock units is based on the Company's closing stock price on the date of grant. Restricted stock units and restricted stock awards under these plans also generally vest annually over a four -year period. Restricted stock awards are considered issued and outstanding at the grant date and have the right to vote and receive cash dividends as other common stock. Directors can elect to receive half or all of their annual retainer in the form of a restricted stock award with a six -month vesting term. Restricted stock units are not issued and outstanding at the grant date; instead, upon vesting the recipient receives one share of the Company's common stock for each vested restricted stock unit.

The Company's ESPP allows participating employees to purchase newly issued shares of the Company's common stock at a discount through payroll deductions. The ESPP consists of a 12 -month offering period whereby employees can purchase shares at 85% of the market value at either the beginning of the offering period or the end of the offering period, whichever price is lower. The Company expenses the embedded purchase option and 15% discount over the offering period as stock-based compensation expense.

The Company records deferred tax assets for awards that result in deductions on the Company's income tax returns, based on the amount of stock-based compensation expense recognized and the statutory tax rate in the jurisdiction in which it will receive a deduction. Differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on the income tax return are recorded in *additional paid-in capital* (if the tax deduction exceeds the deferred tax asset) or in the *Consolidated Statements of Earnings* (if the deferred tax asset exceeds the tax deduction and no *additional paid-in capital* exists from previous awards). See Note 7 for further detail on the Company's stock-based compensation plans.

Foreign Currency Translation : Sales and expenses denominated in foreign currencies are translated at average exchange rates in effect throughout the year. Foreign currency transaction gains and losses are included in *other (income) expense* in the *Consolidated Statements of Earnings.* Assets and liabilities of foreign operations are translated at period-end exchange rates with the impacts of foreign currency translation recognized to *foreign currency translation adjustment* , a component of *accumulated other comprehensive income (loss)* in the *Consolidated Statements of Shareholders' Equity.*

Income Taxes: Income taxes are recorded under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the *Consolidated Financial Statements.* Under this method, deferred tax assets and liabilities are determined based on the differences between the *Consolidated Financial Statements* and the tax basis of related assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances for deferred tax assets are recognized when, after consideration of all positive and negative evidence, it is considered more-likely-than-not that a portion of the deferred tax assets will not be realized. When the Company changes its determination as to the amount of deferred tax assets that can be realized the valuation allowance is adjusted with a corresponding impact to *income tax expense* in the *Consolidated Statements of Earnings* during the period in which such determination is made.

The Company recognizes liabilities for uncertain tax positions that require application of accounting estimates that are subject to inherent uncertainties associated with the tax audit process, and therefore include certain contingencies. The current portion of tax liabilities, including accrued interest and penalties, is included in *income taxes payable* and the noncurrent portion of tax liabilities is included in *other liabilities* in the *Consolidated Balance Sheets* . To the extent new information becomes available which causes the Company to change its judgment regarding the adequacy of its existing tax liabilities, such changes to the Company's tax liabilities will impact *income tax expense* in the *Consolidated Statements of Earnings* in the period in which such determination is made. Interest and penalties related to the Company's accrued tax liabilities for potential tax assessments are also included in *income tax expense* .

Net Earnings Per Share Attributable to St. Jude Medical, Inc. : Basic net earnings per share attributable to St. Jude Medical, Inc. is computed by dividing net earnings attributable to St. Jude Medical, Inc. by the weighted average number of outstanding common shares during the period, exclusive of dilutive securities. Diluted net earnings per share attributable to St. Jude Medical, Inc. is computed by dividing net earnings attributable to St. Jude Medical, Inc. by the weighted average number of outstanding common shares and dilutive securities during the period.

The following table sets forth the computation of basic and diluted net earnings per share as well as the anti-dilutive shares of common stock excluded from diluted net earnings per share for fiscal years 2015, 2014 and 2013 (in millions, except share and per share amounts):

	2015	2014	2013
Numerator:			
Net earnings attributable to St. Jude Medical, Inc.	$ 880	$ 1,002	$ 723
Denominator:			
Basic weighted average shares outstanding	282.2	285.0	287.0
Dilution associated with stock-based compensation plans	4.1	4.7	3.6
Diluted weighted average shares outstanding	286.3	289.7	290.6
Basic net earnings per share attributable to St. Jude Medical, Inc.	$ 3.11	$ 3.52	$ 2.52
Diluted net earnings per share attributable to St. Jude Medical, Inc.	$ 3.07	$ 3.46	$ 2.49
Anti-dilutive shares of common stock excluded from diluted net earnings per share attributable to St. Jude Medical, Inc.	3.8	3.3	4.8

New Accounting Pronouncements : The following table provides a description of recent accounting pronouncements adopted and those standards not yet adopted with potential for a material impact on the Company's financial statements or disclosures.

Standard	Description	Required adoption timing and approach	Impact of adoption or other significant matters
Standards recently adopted			
Accounting Standards Update (ASU) No. 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs	The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.	Annual and interim periods beginning after December 15, 2015, with retrospective application required. Early adoption is permitted.	The Company early adopted this ASU as of January 2, 2016. The January 3, 2015, balances of other current assets and long-term debt were reduced by $14 million to conform to the current periods presentation.
ASU No. 2015-04, *Compensation-Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*	The standard permits entities to measure defined benefit plan assets and obligations using the month-end that is closest to the entity's fiscal year-end and apply that practical expedient consistently from year to year.	Annual and interim periods beginning after December 15, 2015, with prospective application required. Early adoption is permitted.	The Company early adopted this ASU prospectively by using December 31 when it performed its measurements as of January 2, 2016. The adoption did not have a material impact on the Company's results of operations or financial position.
ASU No. 2015-15, Interest-Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements	The standard adds SEC paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015, Emerging Issues Task Force meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements.	Not applicable.	The Company adopted this ASU concurrently with ASU No. 2015-03. The adoption did not have a material impact on the Company's results of operations or financial position.

ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments	The standard changes the manner in which an acquirer recognizes adjustments to provisional amounts that are identified during the measurement period. It also includes certain presentation and disclosure requirements relating to such adjustments.	Annual and interim periods beginning after December 15, 2015, with prospective application required. Early adoption is permitted.	The Company adopted this ASU in the quarter ended October 3, 2015. Since the Company did not have any measurement period adjustments relating to prior acquisitions during the 2015 period prior to the adoption, the adoption did not have a material impact on the Company's results of operations or financial position.
Standards not yet adopted			
ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*	The standard requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance will supersede the current revenue recognition requirements.	See discussion of ASU No. 2015-14 regarding the adoption timing. Either retrospective or modified retrospective application is permitted.	The Company plans to adopt this ASU for interim and annual periods beginning after December 15, 2017. The Company is evaluating its approach to the adoption and the potential impact to its results of operations and financial position.
ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*	The standard affects both the variable interest entity and voting interest entity consolidation models.	Annual and interim periods beginning after December 15, 2015, with either retrospective or modified retrospective application permitted. Early adoption is permitted.	The Company plans to adopt this ASU for annual and interim periods beginning after December 15, 2015 using the modified retrospective method. The Company does not expect the adoption of this ASU to have a material impact on the Company's results of operations or financial position.
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*	The standard provides guidance to customers about how to account for cloud computing arrangements when such arrangements include software licenses.	Annual and interim periods beginning after December 15, 2015, with either prospective or retrospective application permitted. Early adoption is permitted.	The Company plans to adopt this ASU for annual and interim periods beginning after December 15, 2015 using the prospective method. The Company does not expect the adoption of this ASU to have a material impact on the Company's results of operations or financial position.
ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*	The standard requires that inventory within the scope of the guidance be measured at the lower of cost or net realizable value.	Annual and interim periods beginning after December 15, 2016, with prospective application required. Early adoption is permitted.	The Company plans to adopt this ASU for annual and interim periods beginning after January 2, 2016 (the Company's first quarter of 2016). The Company does not expect the adoption of this ASU to have a material impact on the Company's results of operations or financial position.

ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*	The standard defers the effective date of ASU No. 2014-09 to annual and interim periods beginning after December 15, 2017. Early adoption is permitted only as of annual and interim reporting periods beginning after December 15, 2016.	Not applicable.	Not applicable.
ASU No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*	The standard requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent on the balance sheet.	Annual and interim periods beginning after December 15, 2016, with either prospective or retrospective application permitted. Early adoption is permitted.	The Company plans to adopt this ASU for annual and interim periods beginning after January 2, 2016 (the Company's first quarter of 2016) using retrospective application. The Company is evaluating the potential impact to its financial position and currently expects to reclassify material amounts of deferred income tax balances from current to noncurrent. The adoption of this standard will not impact its results of operations.
ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*	Among other things, the standard requires certain equity investments to be measured at fair value with changes in fair value recognized in net income, simplifies the impairment assessment of equity investments without readily determinable fair values, and eliminates certain disclosure requirements.	Annual and interim periods beginning after December 15, 2017. Early adoption of certain guidance is permitted.	The Company is evaluating the timing of adoption and the potential impact to its results of operations and financial position.

NOTE 2 – BUSINESS COMBINATIONS

Fiscal Year 2015

Thoratec: In October 2015, the Company acquired all the outstanding shares of Thoratec Corporation (Thoratec). Under the terms of the agreement, each outstanding Thoratec share was converted into the right to receive $63.50 per share in cash. Thoratec, headquartered in Pleasanton, California, develops, manufactures and markets proprietary medical devices used for mechanical circulatory support for the treatment of heart failure patients. Certain “in-the-money” unvested options to purchase Thoratec shares that were outstanding and unexercised immediately prior to completion of the acquisition were exchanged for St. Jude Medical restricted stock awards; each unvested Thoratec restricted stock unit and performance share unit that was outstanding immediately prior to completion of the acquisition was converted into St. Jude Medical restricted stock units; and certain “in-the-money” unvested options to purchase Thoratec shares, unvested restricted stock units, and unvested Thoratec performance share units previously awarded to certain employees were accelerated upon the acquisition (collectively “accelerated and replacement equity awards”). The aggregate fair value of the accelerated and replacement equity awards of $166 million was based on St. Jude Medical, Inc.'s stock price at the date of acquisition. The value of the replacement equity awards not earned was $57 million as of the date of acquisition and will be expensed over the remaining requisite service periods ranging up to four years (see Note 7). Additionally, during 2015, the Company recognized direct transaction costs of $22 million in *selling, general and administrative expense* in the Company's *Consolidated Statements of Earnings* .

The purchase price allocation is considered preliminary, largely with respect to certain tax-related assets and liabilities and legal contingencies. Significant judgment is required in determining the estimated fair values of

identifiable intangible assets, including IPR&D assets, and certain other assets and liabilities. Such valuation requires significant estimates and assumptions inherent in the initial measurements including, but not limited to:

- Timing and amount of revenue and future cash flows, which often depend on estimates of relevant market sizes, expected market growth rates, trends in technology (including the impacts of anticipated product introductions by competitors, legal agreements and patent litigation), the expected useful lives of acquired technologies and the expected completion date of IPR&D projects;
- Expected costs to develop the IPR&D projects into commercially viable products, which include the stage of completion, the complexity of the work to complete, the contribution of core technologies and other acquired assets and the required clinical investment to obtain regulatory approval;
- The discount rate reflecting the risk inherent in future cash flows; and
- Perpetual growth rate used to calculate the terminal value, where applicable.

The following table summarizes the preliminary purchase price allocation of the values of net assets as a result of the Company's acquisition of Thoratec in October 2015 (in millions):

		Thoratec
Accounts receivable	$	76
Inventories		150
Other current and noncurrent assets		44
Property, plant and equipment		57
Goodwill		2,142
Intangible assets		1,490
Accounts payable		(22)
Other current and noncurrent liabilities		(69)
Contingent consideration liabilities		(33)
Deferred income tax assets/(liabilities)		(548)
Net assets	$	3,287
Cash consideration paid to Thoratec shareholders	$	3,484
Cash consideration paid for vested Thoratec share awards		30
Total cash paid	$	3,514
Less: cash acquired		(262)
Net cash consideration	$	3,252
Fair value of equity awards exchanged in business combination		35
Total purchase consideration	$	3,287

The goodwill recorded as a result of the Thoratec acquisition is not deductible for income tax purposes. The goodwill is largely attributable to strategic opportunities for growing the Company's portfolio of products treating heart failure by offering more comprehensive therapy options across the care continuum. Synergies are also expected to arise upon the integration of Thoratec, the benefits of utilizing the existing workforce, technology innovation and cross-selling opportunities. Additionally, IPR&D projects that did not have substance at the acquisition date are not separately identified. IPR&D intangible assets include Thoratec projects for its next generation left ventricular assist device and percutaneous heart pumps, which have not been approved for commercialization in the U.S. We currently expect approvals for U.S. commercialization to occur at various times in 2018 and 2019. In connection with the acquisition of Thoratec, the Company recognized $714 million of indefinite-lived IPR&D intangible assets, $683 million of purchased technology and patent definite-lived intangible assets that have an estimated weighted average useful life of 9.8 years and a $93 million trademark definite-lived intangible asset that has an estimated useful life of 16.0 years.

The consolidated results of the Company for the fiscal year ended January 2, 2016, include Thoratec's results of operations from the acquisition date through January 2, 2016. Net sales and net losses of Thoratec during this period and included in the Company's *Consolidated Financial Statements* for the fiscal year ended January 2, 2016 totaled $136 million and $94 million , respectively.

The following unaudited pro forma information provides the effect of the Company's acquisition of Thoratec as if the acquisition had occurred on December 29, 2013 (in millions):

(unaudited)	2015	2014
Pro forma net sales	$ 5,919	$ 6,099
Pro forma net earnings attributable to St. Jude Medical, Inc.	$ 970	$ 767

The historical consolidated financial information of the Company and Thoratec has been adjusted in the pro forma information to give effect to pro forma events that are (a) directly attributable to the acquisition and related financing, (b) expected to have a continuing impact on St. Jude Medical, Inc., and (c) factually supportable. In order to reflect the occurrence of the acquisition on December 29, 2013, as required, the unaudited pro forma results include adjustments to reflect, among other things, the incremental intangible asset amortization to be incurred based on the preliminary values of each identifiable intangible asset and the interest expense from debt financing obtained to fund the cash consideration transferred. Pro forma adjustments were tax effected at the Company's historical statutory rates in effect for the respective periods. The unaudited pro forma amounts are not necessarily indicative of the combined results of operations that would have been realized had the acquisition and related financing occurred on December 29, 2013, nor are they meant to be indicative of any anticipated combined results of operations that St. Jude Medical, Inc. will experience after the transaction. In addition, the amounts do not include any adjustments for actions that may be taken following the completion of the transaction, such as expected cost savings, operating synergies or revenue enhancements that may be realized subsequent to the transaction. Pro forma 2015 net earnings attributable to St. Jude Medical, Inc. were adjusted to exclude the following in fiscal year 2015: $16 million of direct transaction costs, $19 million of nonrecurring expense related to the fair value adjustment to acquisition-date inventory, $64 million of nonrecurring stock-based compensation expenses for Thoratec equity awards accelerated at closing, $46 million of severance and other termination payments and $15 million of retention bonuses, consulting expenses and other bonus payments. These items were included in the proforma 2014 net earnings attributable to St. Jude Medical, Inc.

Fiscal Year 2014

NeuroTherm : In August 2014, the Company acquired all the outstanding shares of NT Holding Company (NeuroTherm) for $147 million in net cash consideration and assumed $50 million of debt, which has been repaid. Additionally, the Company recognized direct transaction costs of $1 million in *selling, general and administrative expense* in the Company's *Consolidated Statements of Earnings* . NeuroTherm, headquartered in Wilmington, Massachusetts, is involved in the business of marketing, designing, manufacturing and distributing radio frequency ablation medical devices and the related consumable items for pain management and interventional radiology markets.

The goodwill recorded as a result of the NeuroTherm acquisition is not deductible for income tax purposes. The goodwill is largely attributable to strategic opportunities for growing the Company's neuromodulation product portfolio to provide additional product offerings and therapy options, synergies expected to arise after the acquisition and the benefits of the existing workforce related to the acquired business. In connection with the acquisition of NeuroTherm, the Company recognized $87 million of developed technology intangible assets that have estimated useful lives ranging from 11 to 12 years and a $2 million other intangible asset that has an estimated useful life of 5 years.

During the fourth quarter of 2014, the Company reflected a fair value adjustment and recorded a $7 million decrease to goodwill and deferred income tax assets/(liabilities). All other adjustments to the preliminary purchase price allocation within the allocation period were not material. The following table summarizes the final purchase price allocation of the fair values of net assets as a result of the Company's acquisition of NeuroTherm in August 2014 (in millions):

		NeuroTherm
Current assets	$	22
Property, plant and equipment		2
Goodwill		125
Intangible assets		89
Current liabilities		(13)
Deferred income tax assets/(liabilities)		(28)
Long-term debt		(50)
Net assets	$	147
Cash paid	$	148
Less: Cash acquired		(1)
Net cash consideration	$	147

The results of NeuroTherm since the date of acquisition and pro forma disclosures of the consolidated results of the Company with the full year effects of NeuroTherm have not been separately presented since the impact to the Company's results of operations was not material.

Fiscal Year 2013

Endosense: In August 2013, the Company acquired all the outstanding shares of Endosense S.A. (Endosense) for the equivalent of $171 million (160 million Swiss Francs) in net cash consideration using available cash from outside the United States. Endosense is based in Geneva, Switzerland and develops, manufactures and markets the TactiCath® irrigated ablation catheter to provide physicians a real-time, objective measure of the force to apply to the heart wall during a catheter ablation procedure. At the time of acquisition, the Endosense force-sensing technology was CE Mark-approved for atrial fibrillation and supra ventricular tachycardia ablation. Under the terms of the acquisition agreement, the Company was obligated to make an additional cash payment of up to 150 million Swiss Francs, contingent upon both the achievement and timing of U.S. Food and Drug Administration (FDA) approval. Consistent with the provisions of Accounting Standards Codification (ASC) Topic 805, *Business Combinations* (ASC Topic 805) the Company accrued the contingent payment on the date of acquisition after determining its fair value of $132 million in arriving at $303 million of total consideration, net of cash acquired. The contingent consideration liability has been remeasured to fair value at each reporting period with changes in fair value reflected in the *Consolidated Statements of Earnings* . In October 2014, the Company received FDA approval of the TactiCath® irrigated ablation catheter and paid $155 million to settle the contingent consideration liability (see Note 11).

The goodwill recorded as a result of the Endosense acquisition is not deductible for income tax purposes. The goodwill represents the strategic opportunities for growing the Company's atrial fibrillation product portfolio and the expected revenue growth from increased market penetration from future products and customers. The Company now has the potential to integrate the force-sensing technology to offer a MediGuide™-enabled force-sensing ablation catheter and incorporate force-sensing data into its EnSite Velocity™ Mapping System. In connection with the acquisition of Endosense, the Company recognized $20 million of developed technology intangible assets that have an estimated useful life of 7 years and $33 million of IPR&D that was capitalized as an indefinite-lived intangible asset. During 2014, the IPR&D was reclassified to a purchased technology definite-lived intangible asset upon receiving FDA approval.

The results of Endosense since the date of acquisition and pro forma disclosures of the consolidated results of the Company with the full year effects of Endosense have not been separately presented since the impact to the Company's results of operations was not material.

Nanostim: In October 2013, the Company exercised its exclusive fixed price purchase option and acquired all the outstanding shares of Nanostim, Inc. (Nanostim) for $121 million in net cash consideration. The Company previously held an investment in Nanostim, which provided the Company with an 18% voting equity interest. Nanostim is based in Sunnyvale, California and has developed the first leadless, miniaturized cardiac pacemaker system, which received CE Mark approval in August 2013. The Nanostim™ leadless pacemaker also received FDA conditional approval in September 2013 for its Investigational Device Exemption application and pivotal clinical trial protocol to begin evaluating the technology in the U.S. The Company previously concluded that Nanostim was a VIE, but that St. Jude Medical was not the primary beneficiary as it did not retain power to direct the activities of Nanostim that most significantly impacted its economic performance. The Company previously reflected its investment in Nanostim as a cost method investment in *other assets* .

At the time of acquisition, the Company's 18% voting equity interest in Nanostim was remeasured to fair value of $33 million , which approximated its carrying value, and the related remeasurement gain was not material. Under the terms of the acquisition agreement, the Company was obligated to make additional cash payments of up to $65 million , contingent upon the achievement and timing of certain revenue-based milestones. The Company accrued the contingent payment after determining its fair value of $56 million as of the date of acquisition in arriving at $210 million of total consideration, net of cash acquired (see Note 11).

The goodwill recorded as a result of the Nanostim acquisition is not deductible for income tax purposes. The goodwill represents the strategic opportunities for growing the Company's Cardiac Rhythm Management business through expected revenue growth from increased market penetration and consumer preference for a miniaturized, leadless pacemaker as well as the potential for future product indications. In connection with the acquisition of Nanostim, the Company recognized $34 million of developed technology intangible assets that have an estimated useful life of 10 years and $27 million of IPR&D that was capitalized as an indefinite-lived intangible asset.

The results of Nanostim since the date of acquisition and pro forma disclosures of the consolidated results of the Company with the full year effects of Nanostim have not been separately presented since the impact to the Company's results of operations was not material.

Spinal Modulation : In June 2013, the Company made an equity investment of $40 million in Spinal Modulation, a privately-held company that is focused on the development of an intraspinal neuromodulation therapy that delivers spinal cord stimulation targeting the dorsal root ganglion to manage chronic pain. The investment agreement resulted in a 19% voting equity interest and provided the Company with the exclusive right, but not the obligation, to acquire Spinal Modulation. Additionally, in connection with the investment and contingent acquisition agreement, the Company also entered into an exclusive international distribution agreement, and obtained significant decision-making rights over Spinal Modulation's operations and economic performance. Accordingly, effective June 7, 2013, the Company determined that Spinal Modulation was a VIE for which St. Jude Medical was the primary beneficiary with the financial condition and results of operations of Spinal Modulation included in St. Jude Medical's *Consolidated Financial Statements* . During 2015, the Company exercised its exclusive option to acquire the remaining ownership interest in Spinal Modulation (see Note 6).

The goodwill recognized in connection with the Spinal Modulation transaction was not deductible for income tax purposes. The goodwill represents the strategic opportunities for growing the Company's neuromodulation chronic pain portfolio as well as the expected revenue growth from increased market penetration. The Company recognized $45 million of indefinite-lived IPR&D intangible assets. The Company also recognized $7 million of purchased technology intangible assets with an estimated useful life of 12 years .

CardioMEMS : During 2010, the Company made an equity investment of $60 million in CardioMEMS, a privately-held company based in Atlanta, Georgia that is focused on the development of a wireless monitoring technology that can be placed directly into the pulmonary artery to assess cardiac performance via measurement of pulmonary artery pressure. The investment agreement resulted in the Company obtaining a 19% voting equity interest and provided the Company with the exclusive right, but not the obligation, to acquire CardioMEMS for an additional payment of $375 million less any net debt payable to St. Jude Medical under a separate loan agreement entered into between CardioMEMS and the Company.

In the first quarter of 2013, the Company obtained significant decision-making rights over CardioMEMS' operations and provided debt financing of $28 million to CardioMEMS which was collateralized by substantially all the assets of CardioMEMS including its intellectual property. In July 2013, the Company provided $9 million of additional debt financing to CardioMEMS. In accordance with U.S. GAAP, the Company reconsidered its arrangements with

CardioMEMS and determined that effective February 27, 2013, CardioMEMS was a VIE for which St. Jude Medical was the primary beneficiary with the financial condition and results of operations of CardioMEMS included in St. Jude Medical's *Consolidated Financial Statements* . The Company recognized a $29 million charge to *other (income) expense* in the Company's *Consolidated Statements of Earnings* during the first quarter of 2013 to adjust the carrying value of its equity investment and fixed price purchase option to fair value. During 2014, the Company exercised its exclusive option to acquire the remaining ownership interest in CardioMEMS (see Note 6).

The goodwill recognized in connection with the initial consolidation of CardioMEMS as a VIE was not deductible for income tax purposes. The goodwill represents the strategic opportunities for growing the Company's cardiac rhythm management and heart failure therapy product portfolio as well as the expected revenue growth from increased market penetration. The Company recognized $63 million of indefinite-lived IPR&D intangible assets. During 2014, the IPR&D was reclassified to a purchased technology definite-lived intangible asset upon receiving FDA approval.

Adjustments in 2014 to the preliminary purchase price allocations within the respective allocation periods were not material. The following table summarizes the final purchase price allocation of the fair values of the net assets as a result of the Company's acquisitions of Endosense and Nanostim and the initial consolidations of Spinal Modulation and CardioMEMS as variable interest entities for which St. Jude Medical, Inc. was the primary beneficiary (in millions):

	Endosense	Nanostim	Spinal Modulation	CardioMEMS
Cash and cash equivalents	$ —	$ —	$ 41	$ 33
Current assets	2	1	9	3
Goodwill	258	149	46	83
In-process research and development (IPR&D)	33	27	45	63
Other intangible assets	20	34	7	—
Other assets	1	1	1	2
Current liabilities	(11)	(2)	(6)	(13)
Deferred income tax assets/(liabilities)	—	—	(19)	(23)
Other liabilities	—	—	—	(5)
Net assets	$ 303	$ 210	$ 124	$ 143
Cash paid	$ 180	$ 124	$ —	$ —
Less: Cash acquired	(9)	(3)	—	—
Net cash consideration	$ 171	$ 121	$ —	$ —
Contingent consideration	132	56	—	—
Fair value of St. Jude Medical, Inc.'s previously held interest	—	33	—	31
Acquisition of controlling ownership interest	—	—	40	—
Debt financing	—	—	—	28
Additions in noncontrolling ownership interest	—	—	84	84
Total purchase consideration	$ 303	$ 210	$ 124	$ 143

The cash and cash equivalent balances of Spinal Modulation and CardioMEMS are inclusive of the equity investment and debt financing, respectively.

NOTE 3 – GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the fiscal years ended January 2, 2016 and January 3, 2015 were as follows (in millions):

Balance as of December 28, 2013	$ 3,524
NeuroTherm	125
Spinal Modulation	(36)
Foreign currency translation and other	(81)
Balance as of January 3, 2015	3,532
Thoratec	2,142
Foreign currency translation and other	(23)
Balance as of January 2, 2016	$ 5,651

The following table provides the gross carrying amount of other intangible assets and related accumulated amortization (in millions):

	January 2, 2016		January 3, 2015	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Definite-lived intangible assets:				
Purchased technology and patents	$ 1,840	$ 578	$ 1,162	$ 473
Trademarks and tradenames	115	16	22	13
Customer lists and relationships	21	16	19	14
Licenses, distribution agreements and other	6	2	7	2
	$ 1,982	$ 612	$ 1,210	$ 502
Indefinite-lived intangible assets:				
Acquired IPR&D	$ 829		$ 116	
Trademarks and tradenames	27		27	
	$ 856		$ 143	

See Notes 8 and 11 for further information on the Company's intangible asset impairment charges.

The following table presents expected future amortization expense for acquired intangible assets recognized as of January 2, 2016 and expected amortization expense of indefinite-lived IPR&D assets based on anticipated regulatory product approvals (in millions):

	2016	2017	2018	2019	2020	After 2020
Amortization expense	$ 184	$ 222	$ 237	$ 231	$ 220	$ 1,105

The expected amortization expense is an estimate. Actual amounts of amortization expense may differ due to actual timing of regulatory approvals, additional intangible assets acquired, foreign currency translation impacts, impairment of intangible assets and other events.

NOTE 4 – DEBT

The carrying value of the Company's debt, including debt issuance costs, discounts, premiums and the remaining deferred gain from a terminated interest rate swap agreement, consisted of the following (in millions):

	January 2, 2016	January 3, 2015
Term Loan Due June 2015	$ —	$ 500
Term Loan Due August 2015	—	250
Term Loan Due 2020	2,093	—
2016 Senior Notes	500	505
2018 Senior Notes	496	—
2020 Senior Notes	496	—
2023 Senior Notes	892	890
2025 Senior Notes	494	—
2043 Senior Notes	689	689
Yen-denominated Senior Notes Due 2017	68	68
Yen-denominated Senior Notes Due 2020	106	107
Yen-denominated credit facilities	54	54
Commercial paper borrowings	504	789
Total debt	6,392	3,852
Less: current debt obligations	1,163	1,593
Long-term debt	$ 5,229	$ 2,259

Contractual maturities of the Company's debt for the next five fiscal years and thereafter, excluding any debt issuance costs, discounts or premiums, as of January 2, 2016 were as follows (in millions):

	2016	2017	2018	2019	2020	After 2020
Future minimum principal payments	$ 1,163	$ 172	$ 579	$ 210	$ 2,101	$ 2,206

Term Loan Due June 2015 : In June 2013, the Company entered into a 2 -year, $500 million unsecured term loan that matured in June 2015, the proceeds of which were used for general corporate purposes including the repayment of outstanding commercial paper borrowings of the Company. The borrowings bore interest at London InterBank Offered Rate (LIBOR) plus 0.500% and the Company repaid this term loan during the first quarter of 2015.

Term Loan Due August 2015 : In August 2014, the Company entered into a 364 -day, $250 million unsecured term loan that matured in August 2015, the proceeds of which were used for general corporate purposes including the acquisition of NeuroTherm. The borrowings bore interest at LIBOR plus 0.900% and the Company repaid this term loan during the first quarter of 2015.

Term Loan Due 2020: In August 2015, the Company entered into a 5 -year, $2.6 billion term loan due in 2020 (Term Loan Due 2020). In October 2015, the Company received proceeds of $2.1 billion to finance the Company's acquisition of Thoratec. The remaining $500 million was drawn on January 15, 2016 to refinance existing indebtedness of the Company and for general corporate purposes. The Company may make interest payments under the Term Loan Due 2020 at its election of a 1-month, 2-month, 3-month or 6-month LIBOR plus 1.125% , subject to adjustment in the event of a change in the Company's credit ratings. Required quarterly principal payments on the Term Loan Due 2020 begin in March 2016, with an increase to the quarterly principal payments after three years followed by a final maturity payment due in October 2020. The Company may make optional principal payments on the outstanding borrowings at any time.

2016 Senior Notes: In January 2016, the Company repaid its $500 million principal amount of 5 -year, 2.500% unsecured senior notes (2016 Senior Notes), issued in December 2010. Interest payments were required on a semi-annual basis. The 2016 Senior Notes were issued at a discount, yielding an effective interest rate of 2.540% at issuance.

Concurrent with the issuance of the 2016 Senior Notes, the Company entered into a 5 -year, $500 million notional amount interest rate swap designated as a fair value hedge of the changes in fair value of the Company's fixed-rate

2016 Senior Notes. In June 2012, the Company terminated the interest rate swap and received a cash payment of $24 million . The gain from terminating the interest rate swap agreement was reflected as an increase to the carrying value of the debt and amortized as a reduction of interest expense resulting in a net average interest rate of 1.300% that was recognized over the remaining term of the 2016 Senior Notes.

2018 Senior Notes: In September 2015, the Company issued $500 million principal amount of 3 -year, 2.000% unsecured senior notes (2018 Senior Notes) that mature in September 2018. The net proceeds from the issuance of the 2018 Senior Notes were used to finance a portion of the Company's Thoratec acquisition. Interest payments are required on a semi-annual basis. The 2018 Senior Notes were issued at a discount, yielding an effective interest rate of 2.084% at issuance. The Company may redeem the 2018 Senior Notes at any time at the applicable redemption price.

2020 Senior Notes: In September 2015, the Company issued $500 million principal amount of 5 -year, 2.800% unsecured senior notes (2020 Senior Notes) that mature in September 2020. The net proceeds from the issuance of the 2020 Senior Notes were used to finance a portion of the Company's Thoratec acquisition. Interest payments are required on a semi-annual basis. The 2020 Senior Notes were issued at a discount, yielding an effective interest rate of 2.810% at issuance. The Company may redeem the 2020 Senior Notes at any time at the applicable redemption price.

2023 Senior Notes: In April 2013, the Company issued $900 million principal amount of 10 -year, 3.250% unsecured senior notes (2023 Senior Notes) that mature in April 2023. Interest payments are required on a semi-annual basis. The 2023 Senior Notes were issued at a discount, yielding an effective interest rate of 3.310% at issuance. The Company may redeem the 2023 Senior Notes at any time at the applicable redemption price.

2025 Senior Notes: In September 2015, the Company issued $500 million principal amount of 10 -year, 3.875% unsecured senior notes (2025 Senior Notes) that mature in September 2025. The net proceeds from the issuance of the 2025 Senior Notes were used to finance a portion of the Company's Thoratec acquisition. Interest payments are required on a semi-annual basis. The 2025 Senior Notes were issued at a discount, yielding an effective interest rate of 3.922% at issuance. The Company may redeem the 2025 Senior Notes at any time at the applicable redemption price.

2043 Senior Notes: In April 2013, the Company issued $700 million principal amount of 30 -year, 4.750% unsecured senior notes (2043 Senior Notes) that mature in April 2043. Interest payments are required on a semi-annual basis. The 2043 Senior Notes were issued at a discount, yielding an effective interest rate of 4.790% at issuance. The Company may redeem the 2043 Senior Notes at any time at the applicable redemption price.

The majority of the net proceeds from the issuance of the 2023 Senior Notes and 2043 Senior Notes were used to redeem the Company's $700 million principal amount of 5 -year, 3.750% unsecured senior notes due in 2014 and the $500 million principal amount of 10 -year, 4.875% unsecured senior notes due in 2019. In connection with the redemption of these notes, prior to their scheduled maturities, the Company recognized a $161 million debt retirement charge to *other (income) expense* in the *Consolidated Statements of Earnings* primarily associated with make-whole redemption payments and the write-off of unamortized debt issuance costs during 2013.

Yen-Denominated Senior Notes Due 2017 : In April 2010, the Company issued 7 -year, 1.580% unsecured senior notes in Japan (Yen Notes Due 2017) totaling 8.1 billion Japanese Yen (the equivalent of $ 68 million at both January 2, 2016 and January 3, 2015). The principal amount of the Yen Notes Due 2017 recorded on the balance sheet fluctuates based on the effects of foreign currency translation. Interest payments are required on a semi-annual basis and the entire principal balance is due in April 2017.

Yen-Denominated Senior Notes Due 2020 : In April 2010, the Company issued 10 -year, 2.040% unsecured senior notes in Japan (Yen Notes Due 2020) totaling 12.8 billion Japanese Yen (the equivalent of $ 106 million as of January 2, 2016 and $ 107 million as of January 3, 2015). The principal amount of the Yen Notes Due 2020 recorded on the balance sheet fluctuates based on the effects of foreign currency translation. Interest payments are required on a semi-annual basis and the entire principal balance is due in April 2020.

Yen-Denominated Credit Facilities: In March 2011, the Company borrowed 6.5 billion Japanese Yen (the equivalent of $ 54 million at both January 2, 2016 and January 3, 2015) under uncommitted credit facilities with two commercial Japanese banks. The principal amount reflected on the balance sheet fluctuates based on the effects of foreign currency translation. Half of the borrowings bear interest at Yen LIBOR plus 0.250% and mature in March 2016 and the other half of the borrowings bear interest at Yen LIBOR plus 0.275% and mature in June 2016. The maturity dates of each credit facility automatically extend for a one -year period, unless the Company elects to terminate the credit facility.

Commercial Paper Borrowings: The Company's commercial paper program provides for the issuance of unsecured notes with maturities up to 270 days . During 2015 and 2014, the Company's weighted average effective interest rate on its commercial paper borrowings was approximately 0.308% and 0.240% , respectively. Any future commercial paper borrowings would bear interest at the applicable then-current market rates.

Other Available Borrowings : In July 2015, the Company entered into a commitment letter (Commitment Letter) with Bank of America, N.A. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (together BofAML) pursuant to which BofAML committed to provide a $3.7 billion senior unsecured bridge facility (Bridge Facility) to finance the acquisition of Thoratec (see Note 2). The Company never drew any borrowings under the Bridge Facility, which was later terminated in October 2015 when the Company completed its acquisition of Thoratec. However, the Company did recognize $13 million of commitment fees associated with the Bridge Facility in *other (income) expense* in the *Consolidated Statements of Earnings* .

In August 2015, the Company entered into a 5 -year, $1.5 billion revolving, unsecured committed credit facility (Credit Facility Expiring 2020) that it may draw upon to refinance existing indebtedness and for general corporate purposes. The Credit Facility Expiring 2020 amended and restated the Company's previous $1.5 billion unsecured committed credit facility that was scheduled to expire in May 2018. The Credit Facility Expiring 2020 will expire on August 21, 2020. Borrowings under the Credit Facility Expiring 2020 bear interest at LIBOR plus 0.900% , subject to adjustment in the event of a change in the Company's credit ratings. As of January 2, 2016 and January 3, 2015 , the Company had no outstanding borrowings under either facility.

Operating and financial covenants: Certain of the Company's debt outstanding and available borrowings contain operating and financial covenants. Specifically, the Credit Facility Expiring 2020 and the Term Loan Due 2020 require that the Company has a leverage ratio (defined as the ratio of indebtedness to EBITDA (net earnings before interest expense, income taxes, depreciation, amortization and certain income and expenses)) not exceeding 4.25 to 1.0 through the fiscal year ending January 2, 2016, 4.0 to 1.0 for the fiscal quarters of 2016, and 3.5 to 1.0 thereafter. In February 2016, the Company amended the Credit Facility Expiring 2020 and the Term Loan Due 2020 to clarify the leverage ratio calculation to exclude certain expenses relating to the Thoratec acquisition incurred in the fourth quarter of 2015 and include EBITDA from Thoratec for periods prior to completion of the business combination. Additionally, during the third quarter of 2015, the Company amended a debt covenant related to its 1.580% Yen Denominated Senior Notes Due 2017 and its 2.040% Yen Denominated Senior Notes Due 2020 (Yen Notes) to require a ratio of total debt to total capitalization not exceeding 65% through the second fiscal quarter of 2016 and reducing to 60% thereafter. Under the Credit Facility Expiring 2020, Term Loan Due 2020, senior notes and Yen Notes, the Company also has certain limitations on how the Company conducts its business, including limitations on dividends, additional liens or indebtedness and limitations on certain acquisitions, mergers, investments and dispositions of assets. The Company was in compliance with all of its debt covenants as of January 2, 2016.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Leases

The Company leases various facilities and equipment under non-cancelable operating lease arrangements. The following table presents the Company's future minimum lease payments as of January 2, 2016 (in millions):

	2016	2017	2018	2019	2020	After 2020
Future minimum operating lease payments	$ 53	$ 36	$ 26	$ 22	$ 21	$ 32

Rent expense under all operating leases was $45 million , $51 million and $36 million in fiscal years 2015, 2014 and 2013, respectively.

Product Liability Litigation

Riata® Litigation : On December 17, 2014, the Company entered into an agreement that establishes a private settlement program to resolve the actions, disputes and claims-both filed and unfiled-of certain claimants against St. Jude Medical, Inc. relating to its Riata® and Riata® ST Silicone Defibrillation Leads. The agreement was entered into with a group of counsel representing plaintiffs in proceedings in jurisdictions around the country as well as claimants with Riata leads who have not initiated litigation. St. Jude Medical accrued $15 million in the fourth quarter of 2014 to fund the settlement and related costs. The settlement was expected to resolve approximately 950 of the outstanding, pending cases and claims. The time period in which eligible claimants could submit their documentation to participate in the settlement has now closed with the final settlement comprising 886 claimants. The Company's settlement payment of $13 million was fully funded as of October 9, 2015. Additional payments for settlement-related expenses are not expected to be material.

In November 2013, an amended claim was filed in a Canadian proposed class proceeding alleging that Riata® leads were prone to insulation abrasion and breach, failure to warn and conspiracy. The plaintiffs took no action between their 2008 filing and the amended claim they filed in November 2013. The Company has filed its statement of intent to defend in response to the amended claims, and the plaintiffs have not taken any further action.

The Company is financially responsible for legal costs incurred in the continued defense of the Riata product liability claims, including any potential settlements, judgments and other legal defense costs. The Company believes that a material loss in excess of the accrued amount is remote.

Securities and Other Shareholder Litigation

December 2012 Securities Litigation: On December 7, 2012, a putative securities class action lawsuit was filed in federal district court in Minnesota against the Company and an officer (collectively, the defendants) for alleged violations of the federal securities laws, on behalf of all purchasers of the publicly traded securities of the defendants between October 17, 2012 and November 20, 2012. The complaint, which sought unspecified damages and other relief as well as attorneys' fees, challenges the Company’s disclosures concerning its high voltage cardiac rhythm lead products during the purported class period. On December 10, 2012, a second putative securities class action lawsuit was filed in federal district court in Minnesota against the Company and certain officers for alleged violations of the federal securities laws, on behalf of all purchasers of the publicly traded securities of the Company between October 19, 2011 and November 20, 2012. The second complaint alleged similar claims and sought similar relief. In March 2013, the Court consolidated the two cases and appointed a lead counsel and lead plaintiff. A consolidated amended complaint was served and filed in June 2013, alleging false or misleading representations made during the class period extending from February 5, 2010 through November 7, 2012. In September 2013, the defendants filed a motion to dismiss the consolidated amended complaint. On March 10, 2014, the Court ruled on the motion to dismiss, denying the motion in part and granting the motion in part. On October 7, 2014, the lead plaintiff filed a second amended complaint. Like the original consolidated amended complaint, the plaintiffs did not assert any specific amount of compensation in the second amended complaint. The Court granted class certification on December 22, 2015. Fact discovery closed December 18, 2015, and the deadline for filing and scheduling dispositive motions is July 14, 2016. The case is expected to be ready for trial in February 2017. The Company intends to continue to vigorously defend against the claims asserted in this matter.

The Company has not recorded an expense related to any potential damages in connection with the December 2012 Securities Litigation because any potential loss is not probable or reasonably estimable. Because, based on the Company’s historical experience, the amount ultimately paid, if any, often does not bear any relationship to the amount claimed, the Company cannot reasonably estimate a loss or range of loss, if any, that may result from these matters.

Regulatory Matters

The FDA inspected the Company's manufacturing facility in Atlanta, Georgia, where the Company manufactures its CardioMEMS™ HF system, at various times between June 8 to June 26, 2015. On July 6, 2015, the FDA issued a Form 483 identifying certain observed non-conformity with current Good Manufacturing Practice at the facility. Following the receipt of the Form 483, the Company provided written responses to the FDA detailing proposed corrective actions and immediately initiated efforts to address the FDA's observations of non-conformity. The Company subsequently received a warning letter dated September 30, 2015 from the FDA relating to these non-conformities. The warning letter is specific to the Atlanta facility and does not impact any of the Company's other manufacturing facilities. The warning letter does not identify any specific concerns regarding the performance of, or indicate the need for any field or other action regarding, the CardioMEMS™HF system product or any other St. Jude Medical product and acknowledges the actions already taken by the Company to address the observations. Since the completion of the FDA inspection, the Company has provided and will continue to provide the FDA with regular monthly updates. The Company has completed all necessary actions to remediate the FDA's observations for the Atlanta facility and has fully integrated this former CardioMEMS stand-alone facility into St. Jude Medical's quality systems. As of December 2015, the Atlanta FDA district office has been notified that all actions have been completed and the Company is now in a waiting period until the next FDA inspection, expected during the summer of 2016. The Company will continue manufacturing and shipping product from the Atlanta facility, and customer orders are not expected to be impacted while the Company works to resolve the FDA's concerns. The Company takes these matters seriously, will respond timely and fully to the FDA's requests, and believes that the FDA's concerns have been resolved without a material impact on the Company's financial results.

NOTE 6 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) AND SUPPLEMENTAL EQUITY INFORMATION

The table below presents the changes in each component of accumulated other comprehensive income, net of tax, including other comprehensive income and the reclassifications out of accumulated other comprehensive income into net earnings for fiscal years 2015, 2014 and 2013 (in millions):

	Unrealized Gain (Loss) On Available-for-sale Securities	Unrealized Gain (Loss) On Derivative Instruments	Foreign Currency Translation Adjustment	Accumulated Other Comprehensive Income
Accumulated other comprehensive income (loss) as of December 29, 2012	$ 20	$ —	$ 26	$ 46
Other comprehensive income (loss) before reclassifications	5	3	—	8
Amounts reclassified to net earnings from accumulated other comprehensive income	(8)	—	—	(8)
Other comprehensive income (loss)	(3)	3	—	—
Accumulated other comprehensive income (loss) as of December 28, 2013	17	3	26	46
Other comprehensive income (loss) before reclassifications	—	—	(217)	(217)
Amounts reclassified to net earnings from accumulated other comprehensive income	(2)	—	—	(2)
Other comprehensive income (loss)	(2)	—	(217)	(219)
Accumulated other comprehensive income (loss) as of January 3, 2015	15	3	(191)	(173)
Other comprehensive income (loss) before reclassifications	2	17	(168)	(149)
Amounts reclassified to net earnings from accumulated other comprehensive income	(14)	(9)	—	(23)
Other comprehensive income (loss)	(12)	8	(168)	(172)
Accumulated other comprehensive income (loss) as of January 2, 2016	$ 3	$ 11	$ (359)	$ (345)

Income taxes are not provided for foreign translation related to permanent investments in international subsidiaries. Reclassification adjustments are made to avoid double counting items in comprehensive income that are also recorded as part of net earnings.

The following table provides details about reclassifications out of accumulated other comprehensive income and the line items impacted in the Company's *Consolidated Statements of Earnings* for fiscal years 2015, 2014 and 2013 (in millions):

	Amounts reclassified from accumulated other comprehensive income			
Details about accumulated other comprehensive income components	**2015**	**2014**	**2013**	**Statements of Earnings Classification**
Unrealized (gain) loss on available-for-sale securities:				
(Gain) loss on sale of available-for-sale securities	$ (22)	$ (3)	$ (13)	*Other (income) expense*
Tax effect	8	1	5	*Income tax expense*
Net of tax	$ (14)	$ (2)	$ (8)	
Unrealized (gain) loss on derivative financial instruments:				
(Gain) loss on derivative financial instruments	$ (10)	$ —	$ —	*Cost of sales*
Tax effect	1	—	—	*Income tax expense*
Net of tax	$ (9)	$ —	$ —	

The Company's realized (gains) and losses on its available-for-sales securities and derivative financial instruments are computed using the specific identification method. There were no available-for-sale other-than-temporary impairment losses recognized in fiscal years 2015, 2014 or 2013.

Supplemental Equity Information

On February 19, 2016, the Company's Board of Directors authorized a cash dividend of $0.31 per share payable on April 30, 2016 to shareholders of record as of March 31, 2016.

During 2015, the Company exercised its exclusive option and paid $173 million to Spinal Modulation’s shareholders to obtain the remaining 81% ownership interest in the company that it did not previously own and accrued $155 million of contingent consideration (see Note 11). The $173 million paid during 2015 was classified as a financing activity in the *Consolidated Statements of Cash Flows* . As the Company retained its controlling interest, the payment for the shares and the accrual for contingent consideration resulted in a decrease in *shareholders' equity before noncontrolling interest* of $297 million and a decrease in *noncontrolling interest* of $33 million in St. Jude Medical, Inc.'s *Consolidated Balance Sheets* . Spinal Modulation's results of operations continued to be included in the Company's *Consolidated Financial Statements* .

On January 13, 2015, the Company authorized a share repurchase program of up to $500 million of its outstanding common stock. The Company began repurchasing shares on January 30, 2015. From January 30, 2015 through March 2, 2015, the Company repurchased approximately 7.5 million shares for $500 million at an average repurchase price of $66.96 per share.

During 2014, the Company exercised its exclusive option and paid $344 million to CardioMEMS' shareholders and $18 million for pre-existing fee and compensation arrangements to obtain the remaining 81% ownership interest in the company that it did not previously own. The $344 million paid during 2014 was classified as a financing activity in the *Consolidated Statements of Cash Flows* . As the Company retained its controlling interest, the payment for the shares resulted in a decrease in *shareholders’ equity before noncontrolling interest* of $297 million and a decrease in *noncontrolling interest* of $47 million in St. Jude Medical, Inc's *Consolidated Balance Sheets* . CardioMEMS’ results of operations continued to be included in the Company’s *Consolidated Financial Statements* .

NOTE 7 - STOCK-BASED COMPENSATION

Stock-based Compensation Plans

As of January 2, 2016 , the Company had 8.9 million shares of common stock available for stock option grants under its stock-based compensation plans. The Company has the ability to grant a portion of the available shares in the form of restricted stock awards or units. Specifically, in lieu of granting up to 7.5 million stock options under these plans, the Company may grant up to 3.3 million restricted stock awards or units (for certain grants of restricted stock units or awards, the number of shares available are reduced by 2.25 shares). Additionally, in lieu of granting up to 0.1 million stock options under these plans, the Company may grant up to 0.1 million restricted stock awards (for certain grants of restricted stock awards, the number of shares available are reduced by one share). The remaining 1.3 million shares of common stock are available only for stock option grants. As of January 2, 2016 , total unrecognized stock-based compensation expense was $193 million , adjusted for estimated forfeitures, which is expected to be recognized over a weighted average period of approximately 2.4 years and will be adjusted for any future changes in estimated forfeitures.

As of January 2, 2016 , the Company had 4.6 million shares of common stock available for future purchases under the Employee Stock Purchase Plan (ESPP). Employees purchased 0.5 shares in fiscal year 2015, 0.6 million shares in fiscal year 2014 and 0.9 million shares in fiscal year 2013.

The Company's total stock-based compensation expense for fiscal years 2015, 2014 and 2013 by income statement line item was as follows (in millions):

	2015	2014	2013
Cost of sales	$ 6	$ 6	$ 5
Selling, general and administrative expense	137	49	45
Research and development expense	17	16	15
Stock-based compensation expense	$ 160	$ 71	$ 65

Weighted Average Fair Values and Black-Scholes Valuation Assumptions

The following table provides the weighted average grant date fair values of the Company's restricted stock awards, restricted stock units and ESPP purchase rights during fiscal years 2015, 2014 and 2013, excluding Thoratec-related awards:

	2015	2014	2013
Weighted average grant date fair values:			
Restricted stock awards	$ 71.77	$ 63.48	$ 42.26
Restricted stock units	$ 61.79	$ 69.08	$ 59.04
ESPP purchase rights	$ 16.91	$ 15.46	$ 13.06

The following table includes the weighted average grant date fair value of stock options granted to employees during fiscal years 2015, 2014 and 2013 and the related weighted average assumptions used in the Black-Scholes model:

	2015	2014	2013
Fair value of options granted	$ 12.54	$ 14.56	$ 13.83
Assumptions:			
Expected term (years)	5.4	5.4	5.4
Risk-free interest rate	1.7%	1.7%	1.6%
Volatility	24.7%	24.9%	28.6%
Dividend yield	1.8%	1.6%	1.8%

Stock-based Compensation Activity

The following table summarizes stock option activity under all stock-based compensation plans during the fiscal year ended January 2, 2016 :

	Options (shares in millions)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding as of January 3, 2015	17.7	$ 44.70		
Granted	2.7	61.76		
Exercised	(3.1)	39.06		
Forfeited and expired	(0.5)	53.75		
Outstanding as of January 2, 2016	16.8	$ 48.22	4.9	$ 247
Vested and expected to vest	16.1	$ 47.59	4.8	$ 245
Exercisable as of January 2, 2016	10.3	$ 40.76	3.6	$ 221

The aggregate intrinsic value of options outstanding and options exercisable is based on the Company's closing stock price on the last trading day of the fiscal year for in-the-money options. The aggregate intrinsic value represents the cumulative difference between the fair market value of the underlying common stock and the option exercise prices. The total intrinsic value of options exercised during fiscal years 2015, 2014 and 2013 was $94 million , $88 million and $125 million , respectively.

The following table summarizes activity for restricted stock awards and restricted stock units under all stock-based compensation plans during the fiscal year ended January 2, 2016 , excluding the Company's Thoratec-related awards:

	Restricted Stock Units and Awards (shares in millions)	Weighted Average Grant Date Fair Value
Unvested balance as of January 3, 2015	1.5	$ 56.36
Granted	0.6	62.10
Vested	(0.5)	51.56
Forfeited	(0.1)	57.30
Unvested balance as of January 2, 2016	1.5	$ 60.65

The total aggregate grant date fair value of restricted stock awards and restricted stock units vested during fiscal years 2015, 2014 and 2013 was $30 million , $26 million and $18 million , respectively, excluding Thoratec-related awards.

Thoratec-related Awards

During 2015, certain Thoratec equity awards were accelerated upon the completion of the acquisition and settled in cash (“accelerated equity awards”). All other unvested Thoratec equity awards that were outstanding immediately prior to completion of the acquisition were converted into St. Jude Medical, Inc. restricted stock awards or restricted stock units in a manner designed to preserve the intrinsic value of such awards at the acquisition date (“replacement equity awards”).

The values of the accelerated equity awards and replacement equity awards were allocated between the total purchase consideration for Thoratec (see Note 2) and the future requisite service period ranging up to four years based on the ratio of the pre-acquisition service period to the greater of the total service period of the replacement equity award or the original service period of the Thoratec award. The accelerated equity awards and replacement equity awards resulted in $88 million of incremental stock-based compensation expense from the date of the acquisition through January 2, 2016, and are included in *selling, general and administrative expense* .

On October 8, 2015, 1.2 million shares of replacement equity awards were granted at a weighted average grant date fair value of $63.19 . Of these awards, 0.1 million shares vested during 2015 at an aggregate exchange date fair value of $5 million . Approximately 1.1 million shares remain outstanding and unvested as of January 2, 2016.

NOTE 8 – SPECIAL CHARGES

The Company recognizes certain transactions and events as special charges in its *Consolidated Financial Statements* . These charges (such as restructuring charges, impairment charges, certain legal settlements or product field actions costs and litigation costs) result from facts and circumstances that vary in frequency and impact on the Company's results of operations.

2016 Initiatives

During the fourth quarter of 2015, the Company initiated restructuring activities to drive cross-functional synergies. The Company's 2016 Initiatives included enhancing focus on programs that will strengthen its strategic objectives, driving productivity enhancements and incurring costs to fully integrate its recent acquisitions. During the fourth quarter of 2015, the Company incurred charges of $34 million primarily related to severance and other termination benefits. Through 2016, the Company expects to incur approximately $30 million of exit costs associated with employees, facilities and contracts.

A summary of the activity related to the 2016 Initiatives accrual is as follows (in millions):

	Employee Termination Costs	Inventory Charges	Fixed Asset Charges	Other Restructuring Costs	Total
Balance at January 3, 2015	$ —	$ —	$ —	$ —	$ —
Cost of sales special charges	**9**	**1**	**1**	**1**	**12**
Special charges	**22**	**—**	**—**	**—**	**22**
Non-cash charges used	—	(1)	(1)	—	(2)
Cash payments	(2)	—	—	(1)	(3)
Balance at January 2, 2016	$ 29	$ —	$ —	$ —	$ 29

The Company also recognized restructuring-related costs of $2 million during 2015.

Manufacturing and Supply Chain Optimization Plan

During 2014, the Company initiated the Manufacturing and Supply Chain Optimization Plan to leverage economies of scale, streamline distribution methods, drive process improvements through global synergies, balance plant utilization levels, centralize certain vendor relationships and reduce overall costs. During 2014, the Company incurred charges of $32 million related to severance and other termination benefits, fixed assets write-offs associated with information technology assets no longer expected to be utilized and distributor and other contract termination costs.

During 2015, the Company incurred additional charges totaling $78 million primarily related to severance and other termination benefits, contract termination costs and fixed asset write-offs. These costs included charges associated with the elimination of certain operational, quality and hardware development activities at a research and development facility, continued exit costs related to a facility closure in the United States and software development assets no longer expected to be utilized (see Note 11). Material charges are not expected in future periods as the Manufacturing and Supply Chain Optimization Plan is now complete.

A summary of the activity related to the Manufacturing and Supply Chain Optimization Plan accrual is as follows (in millions):

	Employee Termination Costs	Inventory Charges	Fixed Asset Charges	Other Restructuring Costs	Total
Balance at December 28, 2013	$ —	$ —	$ —	$ —	$ —
Cost of sales special charges	**7**	**—**	**—**	**—**	**7**
Special charges	**12**	**—**	**5**	**8**	**25**
Non-cash charges used	—	—	(5)	—	(5)
Cash payments	(5)	—	—	(2)	(7)
Balance at January 3, 2015	14	—	—	6	20
Cost of sales special charges	**4**	**3**	**15**	**7**	**29**
Special charges	**20**	**—**	**—**	**29**	**49**
Non-cash charges used	—	(3)	(15)	—	(18)
Cash payments	(27)	—	—	(35)	(62)
Foreign exchange rate impact	—	—	—	(1)	(1)
Balance at January 2, 2016	$ 11	$ —	$ —	$ 6	$ 17

2012 Business Realignment Plan

During 2012, the Company realigned its product divisions into two new operating divisions: the Implantable Electronic Systems Division (combining its legacy Cardiac Rhythm Management and Neuromodulation product divisions) and the Cardiovascular and Ablation Technologies Division (combining its legacy Cardiovascular and Atrial Fibrillation product divisions). In addition, the Company centralized certain support functions, including information technology, human resources, legal, business development and certain marketing functions. The organizational changes have been part of a comprehensive plan to accelerate the Company's growth, reduce costs, leverage economies of scale and increase investment in product development.

During 2013, the Company incurred charges totaling $220 million related to the 2012 Business Realignment Plan. Of the $220 million incurred, the Company recognized severance costs and other termination benefits, after management determined that such severance and benefit costs were probable and estimable, inventory write-offs primarily associated with discontinued product lines, fixed asset write-offs related to information technology assets no longer expected to be utilized as well as other restructuring costs. Of the $102 million in other restructuring costs, $64 million was associated with distributor and other contract termination costs and office consolidation costs, including a $23 million charge related to the termination of a research agreement, and $38 million was associated with other costs, all as part of the Company's continued integration efforts.

During 2014, the Company announced additional organizational changes including the combination of its Implantable Electronic Systems Division and Cardiovascular and Ablation Technologies Division, resulting in an integrated R&D organization and a consolidation of manufacturing and supply chain operations worldwide. The integration was conducted in a phased approach during 2014. In connection with these actions, the Company incurred $108 million of special charges associated with the 2012 Business Realignment Plan. These charges primarily included severance and other termination benefits and $36 million of other restructuring costs, including $22 million of distributor and other contract termination costs, $10 million associated with the discontinuation of a clinical trial and $4 million of planned exit costs related to a facility in Europe. Additionally, the Company recognized inventory and fixed asset write-offs related to a discontinued clinical trial and fixed asset write-offs associated with projects abandoned under the new realigned structure.

During 2015, the Company incurred additional charges of $14 million primarily related to severance and other termination benefits and other restructuring costs, including contract termination costs, asset relocation expenses and other exit costs predominately associated with the facility closure in Europe. No additional charges are expected going forward as the 2012 Business Realignment Plan is now complete.

A summary of the activity related to the 2012 Business Realignment Plan accrual during fiscal years 2015, 2014 and 2013 is as follows (in millions):

	Employee Termination Costs	Inventory Charges	Fixed Asset Charges	Other Restructuring Costs	Total
Balance at December 29, 2012	$ 58	$ —	$ —	$ 8	$ 66
Cost of sales special charges	**—**	**30**	**—**	**5**	**35**
Special charges	**75**	**—**	**13**	**97**	**185**
Non-cash charges used	—	(30)	(13)	(4)	(47)
Cash payments	(79)	—	—	(73)	(152)
Balance at December 28, 2013	54	—	—	33	87
Cost of sales special charges	**8**	**8**	**13**	**1**	**30**
Special charges	**36**	**—**	**7**	**35**	**78**
Non-cash charges used	—	(8)	(20)	—	(28)
Cash payments	(69)	—	—	(56)	(125)
Foreign exchange rate impact	(3)	—	—	(1)	(4)
Balance at January 3, 2015	26	—	—	12	38
Cost of sales special charges	**2**	**3**	**—**	**—**	**5**
Special charges	**2**	**—**	**2**	**5**	**9**
Non-cash charges used	—	(3)	(2)	—	(5)
Cash payments	(25)	—	—	(10)	(35)
Foreign exchange rate impact	(2)	—	—	—	(2)
Balance at January 2, 2016	$ 3	$ —	$ —	$ 7	$ 10

2011 Restructuring Plan

During 2011, the Company incurred special charges related to restructuring actions to realign certain activities in the Company's legacy Cardiac Rhythm Management business and sales and selling support organizations. The restructuring actions included phasing out Cardiac Rhythm Management manufacturing and R&D operations in a country in Europe, reductions in the Company's workforce and rationalizing product lines. The charges incurred during 2013 primarily related to idle facility costs and other contract termination costs. The 2011 Restructuring Plan was completed in 2013.

A summary of the activity related to the 2011 Restructuring Plan accrual during fiscal years 2015, 2014 and 2013 is as follows (in millions):

	Employee Termination Costs	Inventory Charges	Fixed Asset Charges	Other Restructuring Costs	Total
Balance at December 29, 2012	$ 25	$ —	$ —	$ 17	$ 42
Special charges	**5**	**—**	**1**	**18**	**24**
Non-cash charges used	—	—	(1)	—	(1)
Cash payments	(21)	—	—	(29)	(50)
Balance at December 28, 2013	9	—	—	6	15
Cash payments	(9)	—	—	(4)	(13)
Balance at January 3, 2015	—	—	—	2	2
Special charges	**—**	**—**	**—**	**(1)**	**(1)**
Cash payments	—	—	—	(1)	(1)
Balance at January 2, 2016	$ —	$ —	$ —	$ —	$ —

Other Special Charges

Intangible asset impairment charges: During 2015, 2014 and 2013, the Company recognized intangible asset impairment charges where the fair values of certain intangible assets were less than their carrying values. During 2015, the Company recognized a $2 million impairment charge associated with a customer relationship intangible asset. During 2014, the Company recognized intangible asset impairment charges for certain indefinite-lived IPR&D assets and an indefinite-lived tradename asset resulting in impairment charges of $50 million and $8 million , respectively. During 2013, the Company recognized intangible asset impairment charges for an indefinite-lived IPR&D asset and an indefinite-lived tradename asset resulting in impairment charges of $15 million and $14 million , respectively. The Company also recognized $13 million of impairment charges associated with customer relationship intangible assets during 2013. See Note 11 for further discussion of these intangible asset impairment charges.

Legal settlements: In connection with the March 2010 Securities Class Action Litigation, the Company recognized $10 million in insurance recoveries as a special benefit during 2015 (see Note 5). During 2015, the Company also recognized $3 million in charges related to two unrelated legal settlements and a $1 million charge related to an unfavorable judgment for a product liability claim. During 2014, the Company recognized a $48 million special benefit related to a favorable judgment and resolution in a patent infringement case. Partially offsetting this gain, the Company recognized $37 million of legal settlement expense for three unrelated legal settlements. During 2013, the Company agreed to settle a dispute on licensed technology associated with certain product lines. In connection with the settlement, which resolved all disputed claims, the Company recognized a $22 million charge.

Product field action costs and litigation costs: During 2015, 2014 and 2013, the Company recognized $19 million , $31 million and $28 million , respectively, of litigation charges for expected future probable and estimable legal costs associated with outstanding legal matters related to the Company's product field actions. Charges in excess of the amounts accrued are reasonably possible and depend on a number of factors, such as the type of claims received and the cost to defend.

During 2014, the Company initiated an advisory letter to physicians for patients implanted with certain ICDs that were identified as having a potential battery anomaly. As a result, the Company recognized special charges of $23 million , which was recorded to *cost of sales special charges* , primarily for scrapped inventory as well as additional warranty and patient monitoring costs. During 2015, the Company recognized a $5 million benefit in *cost of sales special charges* for salvaged inventory components related to this advisory action.

During 2013, the Company recognized charges of $10 million in *cost of sales special charges* for additional costs related to the 2012 neuromodulation voluntary product field action. During both 2015 and 2014, the Company recognized a $2 million and a $4 million benefit, respectively, in *cost of sales special charges* due to lower than expected costs related to the 2012 neuromodulation voluntary product field action.

NOTE 9 – INCOME TAXES

The Company's earnings before income taxes as generated from its U.S. and international operations are as follows (in millions):

	2015	2014	2013
U.S.	$ (107)	$ 157	$ (17)
International	1,035	911	801
Earnings before income taxes and noncontrolling interest	$ 928	$ 1,068	$ 784

Income tax expense consisted of the following (in millions):

	2015	2014	2013
Current:			
U.S. federal	$ 41	$ 150	$ 101
U.S. state and other	2	11	7
International	56	39	108
Total current	99	200	216
Deferred	(37)	(87)	(124)
Income tax expense	$ 62	$ 113	$ 92

The components of deferred tax assets and liabilities are as follows (in millions):

	2015	2014
Deferred income tax assets:		
Net operating loss carryforwards	$ 350	$ 415
Tax credit carryforwards	144	119
Inventories	115	134
Stock-based compensation	56	46
Compensation and benefits	143	131
R&D expenditures, capitalized for tax	80	92
Accrued liabilities and other	124	129
	1,012	1,066
Less: valuation allowance	(337)	(400)
Deferred income tax assets, net	675	666
Deferred income tax liabilities:		
Unrealized gain on available-for-sale securities	(1)	(9)
Unrealized gain on derivative financial instruments	(4)	—
Property, plant and equipment	(166)	(171)
Intangible assets	(853)	(322)
Deferred income tax liabilities	(1,024)	(502)
Net deferred income tax assets (liabilities)	$ (349)	$ 164

As of January 2, 2016, the Company had U.S. federal net operating loss carryforwards, the tax effect of which was $8 million and U.S. tax credit carryforwards, the tax effect of which was $68 million that will expire from 2024 through 2032 if not utilized. The Company also has state tax carryforwards, the tax effect of which was $92 million , that have an unlimited carryforward period. These amounts are subject to annual usage limitations. In addition, the Company had foreign tax net operating loss carryforwards, the tax effect of which was $342 million as of January 2, 2016. These tax attributes have an unlimited carryforward period.

Certain of the Company's subsidiaries in international tax jurisdictions are in cumulative loss positions and have experienced cumulative losses in recent periods. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset that is difficult to overcome when determining that a valuation allowance is not needed against deferred tax assets. The Company's valuation allowances of $337 million and $400 million as of January 2, 2016 and January 3, 2015, respectively, reduced the carrying value of deferred tax assets associated with certain net operating loss and tax credit carryforwards in these tax jurisdictions.

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	2015	2014	2013
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
Increase (decrease) in tax rate resulting from:			
U.S. state income taxes, net of federal tax benefit	(0.1)	0.2	0.6
International taxes at lower rates	(22.6)	(19.6)	(13.6)
Tax benefits from domestic manufacturer's deduction	(1.0)	(1.2)	(1.9)
Research and development credits	(2.7)	(2.8)	(4.6)
Puerto Rico excise tax	(2.4)	(1.7)	(3.0)
Reversal of excess tax accruals	(2.8)	—	(1.9)
Noncontrolling interest	0.5	1.8	3.6
Restructuring and acquisition-related items	3.0	(0.3)	—
Other	(0.2)	(0.8)	(2.5)
Effective income tax rate	6.7 %	10.6 %	11.7 %

The Company’s effective income tax rate differs from the U.S. federal statutory rate each year due to certain operations that are subject to tax incentives, state and local taxes and foreign taxes that are different than the U.S. federal statutory rate. Currently, the Company’s operations in Puerto Rico, Costa Rica and Malaysia have various tax incentive grants. In 2015, 2014 and 2013, the tax reductions as compared to the local statutory rates favorably impacted diluted net earnings per share attributable to St. Jude Medical, Inc. by $1.26 , $1.06 and $0.96 , respectively. Unless these grants are extended, they will expire between 2018 and 2026. The Company’s historical practice has been to renew, extend or obtain new tax incentive grants upon expiration of existing tax incentive grants.

The Company has not recorded U.S. deferred income taxes on approximately $5.1 billion of its non-U.S. subsidiaries' undistributed earnings because such amounts are intended to be reinvested outside the United States indefinitely. If these earnings were repatriated to the United States, the Company would be required to accrue and pay U.S. federal income taxes and foreign withholding taxes, as adjusted for foreign tax credits. Determination of the amount of any unrecognized deferred income tax liability on these earnings is not practicable.

The following table summarizes the activity related to the Company's uncertain tax positions (in millions):

	2015	2014	2013
Balance at beginning of year	$ 328	$ 315	$ 314
Increases related to current year tax positions	48	67	74
Increases related to prior year tax positions	—	6	33
Increases related to positions assumed from Thoratec	7	—	—
Reductions related to prior year tax positions	(24)	(27)	(16)
Reductions related to settlements / payments	(16)	(27)	(90)
Expiration of the statute of limitations for the assessment of taxes	(5)	(6)	—
Balance at end of year	$ 338	$ 328	$ 315

The Company recognized interest and penalties, net of tax benefit, of $10 million , $4 million and $2 million associated with its uncertain tax positions during fiscal years 2015, 2014 and 2013, respectively. The Company's accrued liability for gross interest and penalties was $58 million , $44 million and $37 million as of January 2, 2016, January 3, 2015 and December 28, 2013, respectively.

The Company is subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all material U.S. federal, state, foreign and local income tax matters for all tax years through 2004. In April 2015, the U.S. Internal Revenue Service (IRS) completed an audit of the Company’s 2010 and 2011 tax returns and proposed adjustments in an audit report . In February 2014, the IRS completed an audit of the Company’s 2008 and 2009 tax returns and also proposed adjustments in an audit report.

An unfavorable outcome could have a material negative impact on the Company's effective income tax rate in future periods. The Company believes that it is reasonably possible that it will reduce the amount of its liabilities for federal, foreign and state uncertain tax positions by approximately $150 million to $180 million in 2016 resulting from cash settlement payments and/or adjustments.

NOTE 10 – RETIREMENT PLANS

Defined Contribution Plans : The Company has a 401(k) retirement savings plan that provides retirement benefits to substantially all full-time U.S. employees. Eligible employees may contribute a percentage of their annual compensation, subject to IRS limitations, with the Company matching a portion of the employees' contributions at the discretion of the Company's Board of Directors. In addition, the Company has defined contribution programs for employees in certain countries outside the United States. Company contributions under all defined contribution plans totaled $27 million in 2015 and $26 million each year in 2014 and 2013, respectively.

The Company also has a non-qualified deferred compensation plan that provides certain officers and employees the ability to defer a portion of their compensation until a later date. The deferred amounts and earnings thereon are payable to participants, or designated beneficiaries, at specified future dates upon retirement, death or termination from the Company. The deferred compensation liability, which is classified as *other liabilities* , was approximately $302 million and $301 million as of January 2, 2016 and January 3, 2015, respectively.

Defined Benefit Plans : The Company has funded and unfunded defined benefit plans for employees in certain countries outside the United States. The liability totaled $32 million and $31 million as of January 2, 2016 and January 3, 2015, respectively, which approximated the actuarial calculated unfunded liability. The amount of funded plan assets and the amount of pension expense was not material.

NOTE 11 – FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS

The fair value measurement standard applies to certain financial assets and liabilities that are measured at fair value on a recurring basis (each reporting period) and certain financial assets and liabilities that are measured at fair value on a nonrecurring basis. The Company also maintains other financial instruments that approximate their fair value due to their short maturities, and include such instruments as its cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and current and long-term debt obligations.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The Company's financial assets and liabilities that are measured at fair value on a recurring basis include money-market securities, available-for-sale marketable securities, trading marketable securities, derivative instruments and contingent consideration liabilities. The Company does not have any material nonfinancial assets or liabilities that are measured at fair value on a recurring basis. A summary of the valuation methodologies used for the respective financial assets and liabilities measured at fair value on a recurring basis is as follows:

Money-market securities : The Company’s money-market securities include funds that are traded in active markets and are recorded at fair value based upon the quoted market prices. The Company classifies these securities as level 1.

Available-for-sale securities : The Company’s available-for-sale securities include publicly-traded equity securities that are traded in active markets and are recorded at fair value based upon the closing stock prices. The Company classifies these securities as level 1.

Trading securities : The Company’s trading securities include publicly-traded mutual funds that are traded in active markets and are recorded at fair value based upon quoted market prices of the net asset values of the funds. The Company classifies these securities as level 1.

Derivative instruments : Fair values for the Company’s derivative financial instruments are based on quoted market prices of comparable instruments, if available, or more commonly on standard pricing models that use readily observable market parameters from industry standard data providers as their basis. These models reflect contractual terms of the derivatives, including period to maturity and market-based parameters such as foreign currency exchange rates. They do not contain a high level of subjectivity as the techniques used in the models do not require significant judgment and inputs are readily observable from actively quoted markets. The Company classifies these instruments as level 2 (see Note 12).

Contingent consideration liabilities: The fair value of the Company's contingent liabilities is initially measured based on the consideration expected to be transferred (probability-weighted), discounted back to present value. The discount rate used is determined at the time of measurement in accordance with accepted valuation methods. The Company measures the liability on a recurring basis using Level 3 inputs including regulatory approval timing, projected revenues or cash flows, growth rates, discount rates, probabilities of payment and projected payment dates. Projected revenues are based on the Company's most recent internal operating budgets and long-term strategic plans. Changes to any of the inputs may result in significantly higher or lower fair value measurements.

A summary of assets and liabilities measured at fair value on a recurring basis at January 2, 2016 and January 3, 2015 is as follows (in millions):

	Balance Sheet Classification	January 2, 2016	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money-market securities	*Cash and cash equivalents*	$ 273	$ 273	$ —	$ —
Available-for-sale securities	*Other current assets*	10	10	—	—
Foreign currency forward contracts	*Other current assets*	14	—	14	—
Trading securities	*Other assets*	302	302	—	—
Foreign currency forward contracts	*Other assets*	2	—	2	—
Total assets		$ 601	$ 585	$ 16	$ —
Liabilities					
Contingent consideration	*Other current liabilities*	$ 118	$ —	$ —	$ 118
Foreign currency forward contracts	*Other current liabilities*	6	—	6	—
Contingent consideration	*Other liabilities*	33	—	—	33
Foreign currency forward contracts	*Other liabilities*	3	—	3	—
Total liabilities		$ 160	$ —	$ 9	$ 151

	Balance Sheet Classification	January 3, 2015	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets					
Money-market securities	*Cash and cash equivalents*	$ 729	$ 729	$ —	$ —
Available-for-sale securities	*Other current assets*	30	30	—	—
Trading securities	*Other assets*	301	301	—	—
Total assets		$ 1,060	$ 1,060	$ —	$ —
Liabilities					
Contingent consideration	*Other liabilities*	$ 50	$ —	$ —	$ 50
Total liabilities		$ 50	$ —	$ —	$ 50

The recurring Level 3 fair value measurements of the Company's contingent consideration liabilities include the following significant unobservable inputs (in millions):

Contingent Consideration Liabilities	Fair Value as of January 2, 2016	Valuation Technique	Unobservable Input	Value or Range
Spinal Modulation regulatory-based milestone	$ 118	Probability Weighted Discounted Cash Flow	Discount Rate	2.1%
			Probability of Payment	95%
			Projected Year of Payment	2016
Spinal Modulation revenue-based milestones and earn-outs	4	Monte Carlo Simulation	Discount Rates	1.3% - 17.0%
			Expected Revenue Volatility	25.0%
			Projected Years of Payments	2017, 2018
Nanostim, Inc. (Nanostim) revenue-based milestones	2	Probability Weighted Discounted Cash Flow	Discount Rate	5.0%
			Probability of Payments	10.0%
			Projected Years of Payments	2017, 2018
Assumed from Thoratec regulatory-based and revenue-based milestones	27	Probability Weighted Discounted Cash Flow	Discount Rate	5.5%
			Probability of Payments	—% - 90.0%
			Projected Years of Payments	2017 - 2020
Total contingent consideration liabilities	$ 151			

Additionally, the following table provides a reconciliation of the beginning and ending balances of the Company's contingent consideration liabilities (in millions):

	Endosense	Nanostim	Spinal Modulation	Assumed from Thoratec	Total
Balance as of December 29, 2012	$ —	$ —	$ —	$ —	$ —
Initial fair value measurement of contingent consideration	132	56	—	—	188
Change in fair value of contingent consideration	1	—	—	—	1
Foreign currency translation	6	—	—	—	6
Balance as of December 28, 2013	139	56	—	—	195
Change in fair value of contingent consideration	28	(6)	—	—	22
Payment of contingent consideration	(155)	—	—	—	(155)
Foreign currency translation	(12)	—	—	—	(12)
Balance as of January 3, 2015	—	50	—	—	50
Initial fair value measurement of contingent consideration	—	—	155	—	155
Liabilities assumed from Thoratec acquisition	—	—	—	33	33
Change in fair value of contingent consideration	—	(48)	(33)	(6)	(87)
Balance as of January 2, 2016	$ —	$ 2	$ 122	$ 27	$ 151

In February 2016, the Company received FDA approval of the Axium Neurostimulator System and expects to record a charge in the first quarter of 2016 to reflect the value at which the contingent consideration will be settled.

The following table provides a reconciliation of the beginning and ending balances of the Company's auction rate securities (in millions):

	Auction Rate Securities
Balance as of January 3, 2015	$ —
Auction rate securities acquired from Thoratec	5
Sale of auction rate securities	(5)
Balance as of January 2, 2016	$ —

Assets and Liabilities that are Measured at Fair Value on a Nonrecurring Basis

Disclosures are required for certain assets and liabilities that are measured at fair value but are recognized and disclosed at fair value on a nonrecurring basis in periods subsequent to initial recognition. For St. Jude Medical, such measurements of fair value primarily relate to long-lived assets, goodwill, indefinite-lived intangible assets and cost method investments.

A summary of the valuation methodologies used for the respective nonfinancial assets and liabilities measured at fair value on a nonrecurring basis is as follows:

Long-lived assets: Typically the Company measures the fair value of its long-lived assets, such as its definite-lived intangible assets and property, plant and equipment using independent appraisals, market models and discounted cash flow models. A discounted cash flow model requires inputs to a present value cash flow calculation including a risk-adjusted discount rate, operating budgets, long-term strategic plans and remaining useful lives of the asset or asset group.

During 2015, 2014 and 2013, the Company recognized $18 million , $25 million and $14 million of fixed asset write-offs. During 2015, the fixed asset write-offs were primarily related to software development assets no longer expected to be utilized. During 2014, the fixed asset write-offs were associated with the discontinuation of a clinical trial and projects abandoned under the new realigned structure. During 2013, the fixed asset write-offs primarily related to information technology assets no longer expected to be utilized under the new realigned structure. Typically the Company measures these assets using independent appraisals, market models and discounted cash flow models; however, as these fixed assets had no alternative future use and therefore no discrete future cash flows, the assets were fully impaired.

During both 2015 and 2013, the Company recognized $2 million and $13 million , respectively, of impairment charges related to customer relationship intangible assets. Due to changes in hospital purchasing practices, the Company determined that the intangible assets no longer had any future discrete cash flows and that the assets were fully impaired.

Goodwill: During the third quarter of 2014, the Company performed an interim goodwill impairment test because it significantly changed the composition of the net assets of its reporting units whereby it combined its two legacy reporting units. For this test, the Company bypassed the qualitative assessment and proceeded directly to step one of the two-step goodwill impairment test. In performing the first step, the Company utilized the market approach as computed by its market capitalization plus an estimated control premium. As a result of performing this test, the Company determined that no impairment existed. The fair value inputs utilized in the market approach are considered Level 2 in the fair value hierarchy due to the utilization of quoted prices in active markets for similar assets or liabilities in determining the estimated control premium. During the fourth quarters of 2015 and 2014, the Company performed its annual goodwill impairment test by bypassing the qualitative assessment and proceeding directly to step one using the market approach described above. As a result of performing these tests, the Company determined that no impairments existed.

During the fourth quarter of 2013, the Company assessed qualitative factors and determined that no impairments existed since it was more-likely-than-not that the fair values of its reporting units that existed at that time were more than their carrying amounts. The qualitative assessment considered such factors as macroeconomic conditions, industry and market considerations, cost factors, financial performance, entity specific events, changes in net assets and a sustained decrease in share price.

Indefinite-lived intangible assets: The Company also reviews its indefinite-lived intangible assets at least annually to determine if any adverse conditions exist that would indicate a potential impairment by considering qualitative factors such as macroeconomic conditions, industry and market considerations, cost factors, financial performance, entity specific events, changes in net assets and project-based performance toward regulatory approvals. During 2015, the Company performed its annual qualitative assessment of its indefinite-lived intangible assets by considering many of the above factors. Additionally, for certain indefinite-lived intangible asset the Company bypassed the qualitative assessment and performed a quantitative assessment using discounted cash flow models. There were no impairments of indefinite-lived intangible assets in 2015.

During 2014, the Company recognized impairment charges of $58 million for certain IPR&D intangible assets and a tradename intangible asset to reflect their estimated fair value of $55 million . The Company utilized a discounted cash flow model for each individual asset. The impairments were triggered by clinical information received in the third and fourth quarters of 2014, resulting in the Company revising its expectations, including a decrease in the market opportunity and an increase in the cost and length of time to bring the related products to market. The fair value measurements of these intangible assets are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs to measure fair value, including the terminal growth rate, royalty rate, discount rate and projected future cash flows.

During 2013, the Company performed its annual qualitative assessment of its indefinite-lived intangible assets by considering many of the above factors and determined that a quantitative impairment analysis was further necessary for certain indefinite-lived tradename and IPR&D assets as the Company concluded it was more-likely-than-not that the fair value of these assets were less than their respective carrying amounts. The Company utilized a discounted cash flow model for each individual asset and recognized an impairment charge of $29 million to write-down the related assets to their estimated fair value of $50 million . The impairments were due primarily to the Company's revised expectations, including an increase in the cost and length of time to bring the related products to market through regulatory approval. The fair value measurements of these intangible assets are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs used to measure fair value, including the terminal growth rate, royalty rate, discount rate and projected future cash flows.

Cost method investments: The Company also holds investments in equity securities that are accounted for as cost method investments, which are classified as *other assets* and measured at fair value on a nonrecurring basis. The carrying value of these investments was $80 million and $71 million as of January 2, 2016 and January 3, 2015 , respectively. The fair value of the Company's cost method investments is not estimated if there are no identified events or changes in circumstances that may have a significant adverse effect on the fair value of these investments. When measured on a nonrecurring basis, the Company's cost method investments are considered Level 3 in the fair value hierarchy due to the use of unobservable inputs to measure fair value.

Fair Value Measurements of Other Financial Instruments

The aggregate fair value of the Company's fixed-rate senior notes as of January 2, 2016 (measured using quoted prices in active markets) was $3,740 million compared to the aggregate carrying value of $3,774 million (inclusive of the terminated interest rate swaps and unamortized debt discounts). The fair value of the Company's variable-rate debt obligations as of January 2, 2016 approximated their aggregate $2,651 million carrying value due to the nature of their variable interest rates. The Company also had $393 million and $713 million of cash equivalents invested in short-term deposits and interest and non-interest bearing bank accounts as of January 2, 2016 and January 3, 2015 , respectively, the cost basis of which approximated fair value.

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Company uses foreign currency forward contracts, interest rate swaps and interest rate contracts to manage risks generally associated with foreign exchange rate and interest rate fluctuations. The information that follows explains the various types of derivatives financial instruments and how they impact the Company's financial position and performance.

Cash Flow Hedges

Foreign exchange forward contracts: During 2015, the Company began to enter into foreign exchange forward contracts to hedge against the effect of exchange rate fluctuations on cash flows denominated in foreign currencies. These transactions are designated as cash flow hedges. The Company hedges its exposure to the variability in future cash flows of forecasted transactions for periods of up to 24 months. The dollar equivalent gross notional amount of the Company's foreign exchange forward contracts designated as cash flow hedges at January 2, 2016 was approximately $1.0 billion . Hedge ineffectiveness recognized in earnings on cash flow hedges was not material during 2015.

As of January 2, 2016 , the Company had a balance of $7 million associated with the after-tax net unrealized gain related to foreign currency forward contracts recorded in *accumulated other comprehensive income* in the *Consolidated Statements of Shareholders' Equity* . Based on exchange rates as of January 2, 2016 , the Company expects to reclassify net gains of approximately $7 million (after-tax) to earnings over the next 12 months contemporaneously with the earnings effects of the related forecasted transactions (with the impact offset by cash flows from the underlying hedged items).

The following table provides the (gains) losses related to derivative instruments designated as cash flow hedges, including the location in the *Consolidated Statements of Comprehensive Income* and *Consolidated Statements of Earnings* (in millions):

For the year ended	Pre-tax (Gain) Loss Recognized in Other Comprehensive Income on Effective Portion of Derivative	Pre-tax (Gain) Loss Recognized in Earnings on Effective Portion of Derivative as a Result of Reclassification from Accumulated Other Comprehensive Income		Ineffective Portion of (Gain) Loss on Derivative and Amount Excluded from Effectiveness Testing Recognized in Earnings	
January 2, 2016	**Amount**	**Amount**	**Location**	**Amount**	**Location**
Derivatives in Cash Flow Hedging Relationships					
Foreign currency forward contracts	$ (23)	$ (10)	*Cost of sales*	$ —	*Cost of sales*

Reclassifications from *accumulated other comprehensive income* into earnings include accumulated (gains) losses on dedesignated hedges at the time earnings are impacted.

Interest rate contracts: During the first quarter of 2013, the Company entered into and settled treasury rate lock agreements in anticipation of issuing the $900 million principal amount of 2023 Senior Notes and the $700 million principal amount of 2043 Senior Notes. Prior to the issuance of the senior notes, the Company was subject to changes in treasury benchmark interest rates, and therefore locked into fixed-rate coupons to hedge against the interest rate fluctuations. The Company designated the treasury rate lock agreements as cash flow hedges. Upon settlement, the $3 million gain was recognized as a component of *other comprehensive income* in the *Consolidated Statements of Shareholders' Equity* , and continues to be recognized as a reduction to *interest expense* in the *Consolidated Statements of Earnings* over the life of the senior notes. The amount of hedge ineffectiveness was not material.

Fair Value Hedges

Interest Rate Swap: In prior periods, the Company has chosen to hedge the fair value of certain debt obligations through the use of interest rate swap contracts. In June 2012, the Company terminated the interest rate swap it had entered into concurrent with the March 2010 issuance of the 2016 Senior Notes and received a cash payment of $24 million . The gain from terminating the interest rate swap agreement has been reflected as an increase to the carrying value of the debt and amortized as a reduction of *interest expense* in the *Consolidated Statements of Earnings* resulting in a net average interest rate of 1.3% over the remaining term of the 2016 Senior Notes.

Derivatives Not Designated as Hedging Instruments

Derivatives not designated as hedging instruments include dedesignated foreign currency forward contracts and foreign currency forward contracts that the Company utilizes to economically hedge the foreign currency impact of assets and liabilities denominated in nonfunctional currencies. The dollar equivalent gross notional amount of these forward contracts not designated as hedging instruments totaled $214 million as of January 2, 2016 . The fair value of the Company's outstanding contracts was not material as of January 2, 2016 or January 3, 2015 . The following table provides the (gains) losses related to derivative instruments not designated as hedging instruments, including the location in the *Consolidated Statements of Earnings* (in millions):

Derivatives Not Designated as	(Gain) Loss Recognized in Earnings			
Hedging Instruments	**2015**	**2014**	**2013**	**Location**
Foreign currency forward contracts	$ (10)	$ (9)	$ (15)	*Other (income) expense*

The net (gains) losses were almost entirely offset by corresponding net (losses) gains on the foreign currency exposures being managed.

Location and Fair Value Amount of Derivative Instruments

The following table summarizes the fair value of the Company’s derivative instruments and their locations in the *Consolidated Balance Sheets* as of January 2, 2016 (in millions):

Fair Value of Derivative Instruments	Amount	Location
Derivatives Designated as Hedging Instruments		
Foreign currency forward contracts	$ 14	*Other current assets*
	2	*Other assets*
	(6)	*Other current liabilities*
	(3)	*Other liabilities*
Derivatives Not Designated as Hedging Instruments		
Foreign currency forward contracts	—	*Other current assets*
	—	*Other current liabilities*
Total	$ 7	

Additional information with respect to the fair values of the Company's derivative instruments is included in Note 11.

Credit Risk and Offsetting of Assets and Liabilities of Derivative Instruments

As of January 2, 2016 , St. Jude Medical, Inc. had International Swaps and Derivatives Association agreements with four applicable banks and financial institutions that contain netting provisions. The following table provides information as though the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of the netting arrangements with each of the counterparties as of January 2, 2016 (in millions):

		Gross Amounts not Offset in the *Consolidated Balance Sheets* that are Subject to Master Netting Agreements		
Derivatives as of January 2, 2016	**Gross Amount of Derivative Assets *Presented in the Consolidated Balance Sheets***	**Gross Amount of Eligible Offsetting Recognized Derivative Liabilities *Presented in the Consolidated Balance Sheets***	**Cash Collateral Received**	**Net Amount of Derivative Assets**
Derivatives subject to master netting agreements	$ 3	$ 1	$ —	$ 2
Derivatives not subject to master netting agreements	13			13
Total	$ 16	$ 1	$ —	$ 15

		Gross Amounts not Offset in the *Consolidated Balance Sheets* that are Subject to Master Netting Agreements		
Derivatives as of January 2, 2016	**Gross Amount of Derivative Liabilities *Presented in the Consolidated Balance Sheets***	**Gross Amount of Eligible Offsetting Recognized Derivative Assets *Presented in the Consolidated Balance Sheets***	**Cash Collateral Pledged**	**Net Amount of Derivative Liabilities**
Derivatives subject to master netting agreements	$ 1	$ 1	$ —	$ —
Derivatives not subject to master netting agreements	8			8
Total	$ 9	$ 1	$ —	$ 8

For each counterparty, if netted, the Company would offset the asset and liability balances of all derivatives at the end of the reporting period. As of January 2, 2016 , no cash collateral had been received or pledged related to these derivative instruments.

NOTE 13 – PRODUCT AND GEOGRAPHIC INFORMATION

Segment Information

Effective January 1, 2016, the Company's Board of Directors appointed a new President and Chief Executive Officer whom the Company has determined to be its Chief Operating Decision Maker. The Company continues to operate as a single operating segment and derives its revenues from seven principal product categories.

Product Information

The following table presents net sales from external customers for the Company's seven principal product categories (in millions):

Net Sales	2015	2014	2013
ICD Systems	$ 1,582	$ 1,746	$ 1,741
Atrial Fibrillation Products	1,096	1,044	957
Pacemaker Systems	941	1,047	1,042
Vascular Products	716	709	704
Structural Heart Products	595	639	631
Neuromodulation Products	475	437	426
Thoratec Products	136	—	—
Net sales	$ 5,541	$ 5,622	$ 5,501

On January 13, 2016, the Company announced that it would change its sales reporting starting in 2016 to closely align with how it will manage the business in five key areas: Heart Failure, Atrial Fibrillation, Neuromodulation, Cardiovascular Disease and Traditional Cardiac Rhythm Management. The Company’s sales results were managed on the basis of its existing product categories through 2015, with the intention that sales reporting be managed under the new classification once it is fully effective in the first quarter of 2016.

The Company had no individual customer that represented 10 percent or more of its consolidated net sales during 2015, 2014 or 2013.

Geographic Information

The following table presents net sales by significant country based on customer location (in millions):

Net Sales	2015	2014	2013
United States	$ 2,838	$ 2,657	$ 2,596
Japan	456	526	567
Other foreign countries	2,247	2,439	2,338
Net sales	$ 5,541	$ 5,622	$ 5,501

The amounts for long-lived assets by significant country include net property, plant and equipment by physical location of the asset as follows (in millions):

Long-Lived Assets	January 2, 2016	January 3, 2015	December 28, 2013
United States	$ 1,011	$ 1,005	$ 1,045
Other foreign countries	309	338	365
Total long-lived assets	$ 1,320	$ 1,343	$ 1,410

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED)

(in millions, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal Year 2015:				
Net sales	$ 1,345	$ 1,410	$ 1,339	$ 1,447
Gross profit	950	986	914	946
Net earnings attributable to St. Jude Medical, Inc.	262	290	215	113
Basic net earnings per share attributable to St. Jude Medical, Inc.	$ 0.93	$ 1.03	$ 0.76	$ 0.40
Diluted net earnings per share attributable to St. Jude Medical, Inc.	$ 0.91	$ 1.02	$ 0.75	$ 0.39
Fiscal Year 2014:				
Net sales	$ 1,363	$ 1,448	$ 1,372	$ 1,439
Gross profit	980	1,015	960	1,014
Net earnings attributable to St. Jude Medical, Inc.	249	270	238	245
Basic net earnings per share attributable to St. Jude Medical, Inc.	$ 0.88	$ 0.95	$ 0.83	$ 0.86
Diluted net earnings per share attributable to St. Jude Medical, Inc.	$ 0.86	$ 0.93	$ 0.82	$ 0.84

During the first, second, third and fourth quarters of 2015, the Company recognized after-tax (benefits) charges of ($17 million), ($20 million), $43 million and $166 million , respectively, in its *Net earnings attributable to St. Jude Medical, Inc* . These charges (benefits) primarily related to acquisition-related charges (benefits), restructuring charges, intangible asset impairment charges and product field action costs and litigation costs, partially offset by discrete tax (benefits) charges and insurance recoveries. See Notes 2, 8, 9 and 11 for further information.

During the first, second, third and fourth quarters of 2014, the Company recognized after-tax charges of $25 million , $21 million , $39 million and $65 million , respectively, in its *Net earnings attributable to St. Jude Medical, Inc* . These charges primarily related to restructuring charges, acquisition-related charges, intangible asset impairment charges, product field action costs and litigation costs and legal settlement expenses, partially offset by income tax benefits for discrete income tax adjustments and a favorable legal settlement. See Notes 2, 8, 9 and 11 for further information.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act of 1934) as of January 2, 2016. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of and for the year ended January 2, 2016.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as defined in Exchange Act Rule 13a-15(f)). Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* . Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of January 2, 2016. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of January 2, 2016 excluded Thoratec Corporation, which was acquired by the Company in October 2015 in a purchase business combination. Thoratec Corporation is a wholly-owned subsidiary of the Company whose total assets and total net sales represented less than 35% of consolidated total assets and less than 3% of consolidated net sales, respectively, of the Company as of and for the year ended January 2, 2016. As permitted by guidelines established by the Securities and Exchange Commission, companies are allowed to exclude certain acquisitions from their assessments of internal control over financial reporting during the first year of an acquisition while integrating the acquired companies. Our internal control over financial reporting as of January 2, 2016, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of January 2, 2016.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended January 2, 2016, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information set forth under the captions *Proposal to Elect Directors, Director Qualifications, Director Nomination Process, Director Independence and Audit Committee Financial Literacy and Expertise, Committees of the Board of Directors* and *Section 16(a) Beneficial Ownership Reporting Compliance* in St. Jude Medical's Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference. The information set forth under the caption *Executive Officers of the Registrant* in Part I, Item 1 of this Form 10-K is incorporated herein by reference.

We have adopted a Code of Business Conduct for our principal executive officer, principal financial officer, principal accounting officer, corporate controller and all other employees. We have made our Code of Business Conduct available on our website (http://www.sjm.com) under *About Us – Business Integrity – Code of Business Conduct* . We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Business Conduct by posting such information on our website at the web address and location specified above. Information included on our website is not deemed to be incorporated into this Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information set forth under the captions *Compensation of Directors, Director Compensation Table, Executive Compensation* and *Compensation Committee Interlocks and Insider Participation* in St. Jude Medical's Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information set forth under the captions *Share Ownership of Management and Directors and Certain Beneficial Owners* and *Equity Compensation Plan Information* in St. Jude Medical Inc.'s Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information set forth under the captions *Related Person Transactions* and *Director Independence and Audit Committee Financial Literacy and Expertise* in St. Jude Medical's Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information set forth under the caption *Proposal to Ratify the Appointment of Independent Registered Public Accounting Firm* in St. Jude Medical's Proxy Statement for the 2016 Annual Meeting of Shareholders is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) *List of documents filed as part of this Report*

All other financial statement schedules not listed above have been omitted because the required information is included in the *Consolidated Financial Statements* or Notes thereto, or is not applicable.

(3) *Exhibits*

Pursuant to Item 601(b)(4)(iii) of Regulation S-K, copies of certain instruments defining the rights of holders of certain long-term debt of St. Jude Medical are not filed, and in lieu thereof, we agree to furnish copies thereof to the SEC upon request.

Exhibit	Exhibit Index
3.1	Articles of Incorporation, as amended on May 9, 2008, are incorporated by reference to Exhibit 3.1 of St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended June 28, 2008.
3.2	Bylaws, as amended and restated as of February 25, 2005, are incorporated by reference to Exhibit 3.1 to St. Jude Medical's Current Report on Form 8-K filed on March 2, 2005.
4.1	Specimen Common Stock Certificate is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Registration Statement on Form S-4 filed October 20, 2010 (Commission File No. 333-170045).
4.2	Indenture, dated as of July 28, 2009, between St. Jude Medical, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Current Report on Form 8-K filed on July 28, 2009.
4.3	First Supplemental Indenture, dated as of July 28, 2009, between St. Jude Medical, Inc. and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.2 to St. Jude Medical's Current Report on Form 8-K filed on July 28, 2009.
4.4	Second Supplemental Indenture, dated as of March 17, 2010, between the Company and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Current Report on Form 8-K filed on March 19, 2010.
4.5	Third Supplemental Indenture, dated as of December 6, 2010, between the Company and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Current Report on Form 8-K filed on December 6, 2010.
4.6	Fourth Supplemental Indenture of Trust, dated as of April 2, 2013, between the Company and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Current Report on Form 8-K filed on April 2, 2013.
4.7	Fifth Supplemental Indenture, dated as of September 23, 2015, between the Company and U.S. Bank National Association, as Trustee, is incorporated by reference to Exhibit 4.1 to St. Jude Medical's Current Report on Form 8-K filed on September 23, 2015.
10.1	Form of Indemnification Agreement that St. Jude Medical has entered into with executive officers is incorporated by reference to Exhibit 10.1 to St. Jude Medical's Annual Report on Form 10-K for the year ended January 1, 2011.*
10.2	Form of Indemnification Agreement that St. Jude Medical has entered into with directors is incorporated by reference to Exhibit 10.2 to St. Jude Medical's Annual Report on Form 10-K for the year ended January 1, 2011.*
10.3	St. Jude Medical, Inc. Amended and Restated Management Incentive Compensation Plan is incorporated by reference to Exhibit 10.1 to St. Jude Medical's Current Report on Form 8-K filed on May 8, 2015. *
10.4	St. Jude Medical, Inc. Management Savings Plan, as amended and restated effective January 1, 2016. *#
10.5	St. Jude Medical, Inc. 2007 Employee Stock Purchase Plan, as amended effective August 1, 2013, is incorporated by reference to Exhibit 10.2 to St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended June 29, 2013. *

Exhibit	Exhibit Index
10.6	St. Jude Medical, Inc. 2002 Stock Plan, as amended and restated (2014) is incorporated by reference to Exhibit 10.11 to St. Jude Medical's Annual Report on Form 10-K for the year ended January 3, 2015. *
10.7	Form of Non-Qualified Stock Option Agreement (amended 2011) and related Notice of Non-Qualified Stock Option Grant under the St. Jude Medical, Inc. 2002 Stock Plan, as amended, is incorporated by reference to Exhibit 10.1 to St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011.*
10.8	St. Jude Medical, Inc. 2006 Stock Plan, as amended and restated (2014) is incorporated by reference to Exhibit 10.13 to St. Jude Medical's Annual Report on Form 10-K for the year ended January 3, 2015. *
10.9	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors (amended 2011) and related Notice of Non-Qualified Stock Option Grant for options granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2006 Stock Plan is incorporated by reference to Exhibit 10.2 to St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011. *
10.10	Form of Non-Qualified Stock Option Agreement for Employees (amended 2011) and the related Notice of Non-Qualified Stock Option Grant for options granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2006 Stock Plan is incorporated by reference to Exhibit 10.3 of St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011.*
10.11	Form of Non-Qualified Stock Option Agreement (amended 2011) and related Notice of Non-Qualified Stock Option Grant for options granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, is incorporated by reference to Exhibit 10.4 of St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011. *
10.12	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors (amended 2011) and related Notice of Non-Qualified Stock Option Grant for options granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, is incorporated by reference to Exhibit 10.5 of St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011. *
10.13	Form of Restricted Stock Award Agreement (amended 2011) and related Restricted Stock Award Certificate for restricted stock granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, is incorporated by reference to Exhibit 10.6 to St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011. *
10.14	Form of Restricted Stock Units Award Agreement (amended 2011) and related Restricted Stock Units Award Certificate for restricted stock units granted prior to December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan, is incorporated by reference to Exhibit 10.7 to St. Jude Medical's Quarterly Report on Form 10-Q for the quarter ended July 2, 2011. *
10.15	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2006 Stock Plan is incorporated by reference to Exhibit 10.21 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012. *

Exhibit	Exhibit Index
10.16	Form of Non-Qualified Stock Option Agreement for Employees and the related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2006 Stock Plan is incorporated by reference to Exhibit 10.22 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012. *
10.17	St. Jude Medical, Inc. 2007 Stock Incentive Plan, as amended and restated (2014) is incorporated by reference to Exhibit 10.22 to St. Jude Medical's Annual Report on Form 10-K for the year ended January 3, 2015. *
10.18	Form of Non-Qualified Stock Option Agreement (Global) and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan is incorporated by reference to Exhibit 10.24 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012.*
10.19	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors and related Notice of Non-Qualified Stock Option Grant for stock options granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan is incorporated by reference to Exhibit 10.25 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012. *
10.20	Form of Restricted Stock Award Agreement and related Restricted Stock Award Certificate for restricted stock granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan is incorporated by reference to Exhibit 10.26 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012. *
10.21	Form of Restricted Stock Units Award Agreement (Global) and related Restricted Stock Units Award Certificate for restricted stock units granted on or after December 10, 2012 under the St. Jude Medical, Inc. 2007 Stock Incentive Plan is incorporated by reference to Exhibit 10.27 of St. Jude Medical, Inc.'s Annual Report on Form 10-K for the year ended December 29, 2012. *
10.22	Form of Severance Agreement between St. Jude Medical, Inc. and executive officers hired prior to December 10, 2012 is incorporated by reference to Exhibit 10.1 to St. Jude Medical's Current Report on Form 8-K filed on January 7, 2009. *
10.23	Form of First Amendment to Severance Agreement between St. Jude Medical, Inc. and executive officers hired prior to December 10, 2012 is incorporated by reference to Exhibit 10.1 to St. Jude Medical, Inc.'s Current Report on Form 8-K filed on December 14, 2015. *
10.24	Form of Severance Agreement between St. Jude Medical, Inc. and executive officers hired on or after December 10, 2012 is incorporated by reference to Exhibit 10.35 to St. Jude Medical's Annual Report on Form 10-K filed for the year ended December 29, 2012. *
10.25	St. Jude Medical, Inc. Executive Severance Plan, effective January 1, 2016, is incorporated by reference to Exhibit 10.2 to St. Jude Medical's Current Report on Form 8-K filed on December 14, 2015. *
10.26	Five-Year $2,600,000,000 Term Loan Agreement dated as of August 21, 2015 among St. Jude Medical, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent and Lender, and the other Lenders party thereto, is incorporated by reference to Exhibit 10.1 to St. Jude Medical's Current Report on Form 8-K filed on August 24, 2015.
10.27	Amendment No. 1 to Five-Year $2,600,000,000 Term Loan Agreement dated as of February 19, 2016 among St. Jude Medical, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent and Lender, and the other Lenders party thereto. #

Exhibit	Exhibit Index
10.28	Multi-Year $1,500,000,000 Credit Agreement dated as of August 21, 2015 among St. Jude Medical, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, L/C Issuer and Lender, and the other Lenders party thereto, is incorporated by reference to Exhibit 10.2 to St. Jude Medical's Current Report on Form 8-K filed on August 24, 2015.
10.29	Amendment No. 1 to Multi-Year $1,500,000,000 Credit Agreement dated as of February 19, 2016 among St. Jude Medical, Inc., as the Borrower, Bank of America, N.A., as Administrative Agent, L/C Issuer and Lender, and the other Lenders party thereto . #
12	Computation of Ratio of Earnings to Fixed Charges. #
21	Subsidiaries of the Registrant. #
23	Consent of Independent Registered Public Accounting Firm. #
24	Power of Attorney. #
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. #
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. #
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. #
101	Financial statements from the Annual Report on Form 10-K of St. Jude Medical, Inc. for the year ended January 2, 2016, formatted in XBRL: (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement.

\# Filed as an exhibit to this Annual Report on Form 10-K.

(b) *Exhibits* : Reference is made to Item 15(a)(3).
(c) *Schedules* :

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Description	Balance at Beginning of Year	Additions Charged to Expense	Deductions Write-offs (1)	Other (2)	Balance at End of Year
Allowance for doubtful accounts:					
Fiscal year ended					
January 2, 2016	$ 53	$ 9	$ (10)	$ (6)	$ 46
January 3, 2015	$ 45	$ 14	$ (6)	$ —	$ 53
December 28, 2013	$ 47	$ 14	$ (16)	$ —	$ 45

Description	Balance at Beginning of Year	Additions	Deductions	Other (3)	Balance at End of Year
Valuation allowance - Deferred tax assets:					
Fiscal year ended					
January 2, 2016	$ 400	$ 277	$ (349)	$ 9	$ 337
January 3, 2015	$ 368	$ 44	$ (13)	$ 1	$ 400
December 28, 2013	$ 228	$ 140	$ (7)	$ 7	$ 368

(1) Uncollectible accounts written off, net of recoveries.
(2) Primarily represents the effects of changes in foreign currency translation.
(3) Primarily represents the effects of changes in foreign currency translation and tax adjustments for changes in statutory tax rates.

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.

ST. JUDE MEDICAL, INC.

Date: February 23, 2016

By: /s/ MICHAEL T. ROUSSEAU
Michael T. Rousseau
President and Chief Executive Officer

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 23rd day of February, 2016.

/s/ MICHAEL T. ROUSSEAU Michael T. Rousseau	President and Chief Executive Officer (Principal Executive Officer)
/s/ DONALD J. ZURBAY Donald J. Zurbay	Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)
* Daniel J. Starks	Executive Chairman of the Board
* John W. Brown	Director
* Richard R. Devenuti	Director
* David C. Dvorak	Director
* Stuart M. Essig	Director
* Barbara B. Hill	Director
* Michael A. Rocca	Director
* Stefan K. Widensohler	Director
* Wendy L. Yarno	Director

* By: /s/ JASON A. ZELLERS
Jason A. Zellers
Attorney-in-Fact

EXHIBIT 10.4

St. Jude Medical, Inc.

Management Savings Plan

Effective January 1, 2016

St. Jude Medical, Inc. Management Savings Plan

St. Jude Medical, Inc. Management Savings Plan

Article I

Establishment and Purpose

St. Jude Medical, Inc. (the "Company") hereby amends and restates the St. Jude Medical, Inc. Management Savings Plan (the "Plan"), effective January 1, 2016, in order to incorporate changes made to the Plan since its last restatement and to streamline Plan provisions. The purpose of the Plan is to attract and retain key employees by providing opportunities to defer receipt of salary, bonus, and other specified compensation. The Plan is not intended to meet the qualification requirements of Code Section 401(a), but is intended to meet the requirements of Code Section 409A, and shall be operated and interpreted consistent with that intent.

The Plan constitutes an unsecured promise by a Participating Employer to pay benefits in the future. Participants in the Plan shall have the status of general unsecured creditors of the Company or the Adopting Employer, as applicable. Each Participating Employer shall be solely responsible for payment of the benefits of its employees and their beneficiaries. The Plan is unfunded for Federal tax purposes and is intended to be an unfunded arrangement for eligible employees who are part of a select group of management or highly compensated employees of the Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA. Any amounts set aside to defray the liabilities assumed by the Company or an Adopting Employer will remain the general assets of the Company or the Adopting Employer and shall remain subject to the claims of the Company's or the Adopting Employer's creditors until such amounts are distributed to the Participants.

Article II

Definitions

2.1 Account. Account means a bookkeeping account maintained by the Plan Administration Committee to record the payment obligation of a Participating Employer to a Participant as determined under the terms of the Plan. The Plan Administration Committee may maintain an Account to record the total obligation to a Participant and component Accounts to reflect amounts payable at different times and in different forms. Reference to an Account means any such Account established by the Plan Administration Committee, as the context requires. Accounts are intended to constitute unfunded obligations within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.2 Account Balance. Account Balance means, with respect to any Account, the total payment obligation owed to a Participant from such Account as of the most recent Valuation Date.

2.3 Adopting Employer. Adopting Employer means an Affiliate who, with the consent of the Company, has adopted the Plan for the benefit of its eligible employees and who files a declaration with the Company agreeing to be bound by the terms of the Plan and agreeing to bear its allocable share of the costs and expenses incurred in the operation and administration of the Plan.

2.4 Affiliate. Affiliate means a corporation, trade or business that, together with the Company, is treated as a single employer under Code Section 414(b) or (c).

2.5 Beneficiary. Beneficiary means a natural person, estate, or trust designated by a Participant to receive payments to which a Beneficiary is entitled in accordance with provisions of the Plan.

2.6 Bonus . Bonus means any compensation in addition to Eligible Base Compensation, Commissions, and payments made pursuant to the MICP/Other Annual Bonus, paid to a Participant as an employee on a regular, recurring basis under any of the bonus or incentive plans maintained by the Company for one or more specified performance periods. The Plan Administration Committee's classification of a remuneration item as included in or excluded from Bonus shall be conclusive for the purpose of the foregoing rules.

2.7 Business Day . Business Day means each day on which the New York Stock Exchange is open for business.

2.8 Change in Control . Change in Control means the first to occur of the following events:

(a) Any individual, entity or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") becomes the "beneficial owner" (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this paragraph (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, or approved by the Incumbent Directors, following which such Person owns not more than 50% of the Outstanding Company Common Stock or the Outstanding Company Voting Securities, (ii) any acquisition by an underwriter temporarily holding securities pursuant to an offering of such securities, (iii) any acquisition by the Company, (iv) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (v) any acquisition pursuant to a transaction which complies with clauses (i), (ii), and (iii) of paragraph (c) below; or

(b) Individuals who, as of January 1, 2016, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to January 1, 2016, whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the Incumbent Directors then comprising the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for director, without written objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation (or similar corporate transaction) involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company or the acquisition of assets or stock of another entity (a "Business Combination"), in each case, unless, immediately following such Business Combination, (i) 50% or more of, respectively, the then outstanding shares of common stock and the total voting power of (A) the corporation resulting from such Business Combination (the "Surviving Corporation"), or (B) if applicable, the ultimate

parent corporation that directly or indirectly has beneficial ownership of 80% of the voting securities eligible to elect directors of the Surviving Corporation (the "Parent Corporation"), is represented by Outstanding Company Common Stock and Company Voting Securities that were outstanding immediately prior to such Business Combination (or, if applicable, is represented by shares into which such Outstanding Company Common Stock or Outstanding Company Voting Securities, as the case may be, were converted pursuant to such Business Combination), and such beneficial ownership of common stock or voting power among the holders thereof is in substantially the same proportion as the beneficial ownership of Outstanding Company Common Stock and the voting power of such Company Voting Securities among the holders thereof immediately prior to the Business Combination, (ii) no person (other than any employee benefit plan or related trust) sponsored or maintained by the Surviving Corporation or the Parent Corporation) is or becomes the beneficial owner, directly or indirectly, of 30% or more of the outstanding shares of common stock and the total voting power of the outstanding voting securities eligible to elect directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation), unless such acquisition is pursuant to a Business Combination that is an acquisition by the Company or a subsidiary of the Company of the assets or stock of another entity that is approved by the Incumbent Directors, following which such person owns not more than 50% of such outstanding shares and of voting power, and (iii) at least a majority of the members of the board of directors of the Parent Corporation (or, if there is no Parent Corporation, the Surviving Corporation) following the consummation of the Business Combination were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Business Combination.

Notwithstanding the foregoing, a Change in Control of the Company shall not be deemed to occur solely because any person acquires beneficial ownership of more than 30% of the Outstanding Company Common Stock or Outstanding Company Voting Securities as a result of the acquisition of Outstanding Company Common Stock or Outstanding Company Voting Securities by the Company which reduces the number of shares of Outstanding Company Common Stock or Outstanding Company Voting Securities; provided, that if after such acquisition by the Company such person becomes the beneficial owner of additional shares of Outstanding Company Common Stock or Outstanding Company Voting Securities that increases the percentage of Outstanding Company Common Stock or Outstanding Company Voting Securities beneficially owned by such person, a Change in Control of the Company shall then occur.

2.9 Claimant . Claimant means a Participant or Beneficiary filing a claim under Article XI of this Plan.

2.10 Code . Code means the Internal Revenue Code of 1986, as amended from time to time.

2.11 Code Section 409A . Code Section 409A means section 409A of the Code, and regulations and other guidance issued by the Treasury Department and Internal Revenue Service thereunder.

2.12 Commissions . Commissions means any compensation in addition to Eligible Base Compensation, Bonus, and payments made pursuant to the MICP/Other Annual Bonus, paid to a Participant as an employee under any employment or compensation agreement or incentive arrangement in connection with the sales of the products of the Company provided (i) a substantial portion of Participant's services to the Company consists of the direct sale of a product or a service to a customer that is not related or treated as related to the Company or to the Participant (under Treas. Reg. Sections 1.409A-1(f)(2)(ii) and (iv)); (ii) the amount the Company pays to the Participant that consists either of a portion of the purchase price for the product or service or of an amount

substantially all of which is calculated by reference to volume of sales; and (iii) payment is either contingent upon the Company receiving payment from an unrelated customer (as described in clause (i) above) for the product or services or, if consistently applied as to all similarly situated service providers, is contingent upon the closing of a sales transaction and such other requirements as the Company may specify before the closing of the sales transaction. The Plan Administration Committee's classification of a remuneration item as included in or excluded from Commissions shall be conclusive for the purpose of the foregoing rules.

2.13 Compensation Committee . Compensation Committee means the Compensation Committee of the Board of Directors or such other committee of directors as may be designated by the Board of Directors to administer the Plan. Notwithstanding anything to the contrary herein, the Board of Directors may, at any time and from time to time, without any further action of the Compensation Committee, exercise the powers and duties of the Compensation Committee under the Plan.

2.14 Company . Company means St. Jude Medical, Inc., and any successor thereto.

2.15 Compensation Deferral Agreement . Compensation Deferral Agreement means an agreement between a Participant and a Participating Employer that specifies: (i) the amount of each component of compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV, and (ii) the Payment Schedule applicable to one or more Accounts.

2.16 Deferral . Deferral means a credit to a Participant's Account(s) that records that portion of the Participant's compensation that the Participant has elected to defer to the Plan in accordance with the provisions of Article IV. Unless the context of the Plan clearly indicates otherwise, a reference to Deferrals includes Earnings attributable to such Deferrals.

2.17 Deferred Compensation Account . Deferred Compensation Account means the Account established for a Participant to record his or her Deferrals made to the Plan with respect to services performed prior to January 1, 2015. Such Account also includes any deferrals transferred from the St. Jude Medical S.C., Inc., U.S. Division Representative Principals and Sales Associates Deferred Compensation Plan.

2.18 Discretionary Amount Account . Discretionary Amount Account means the Account established for a Participant to record discretionary Company contributions credited on his or her behalf to the Plan with respect to periods commencing prior to January 1, 2015. Such Account also includes any discretionary amounts transferred from the St. Jude Medical S.C., Inc., U.S. Division Representative Principals and Sales Associates Deferred Compensation Plan.

2.19 Earnings . Earnings means an adjustment to the value of an Account in accordance with Article VII.

2.20 Effective Date . Effective Date of this amendment and restatement means January 1, 2016.

2.21 Eligible Base Compensation . Eligible Base Compensation means, for a Participant for any period, except as provided in the succeeding paragraphs of this subsection, the sum of all remuneration paid to the Participant during such period for service as an employee of a Participating Employer as base salary and wages, and short-term disability benefits, and shall be determined without regard to Code Section 401(a)(17) and without regard to amounts deferred pursuant to Code Sections 401(k), 125, and 132(f)(4). Notwithstanding the foregoing, a Participant's Eligible Base Compensation will not include:

(a) amounts deferred or paid under an agreement between the Participating Employer and the Participant that is not a plan qualified under Code Section 401(a), other than this plan;

(b) contributions made or benefits (other than short-term disability benefits) paid by the Participating Employer under any other employee benefit plan;

(c) any remuneration not paid in cash (or remuneration otherwise imputed as income, *e.g* ., value of taxable life insurance coverage);

(d) severance pay;

(e) reimbursements, allowances, moving expense payments, relocation cost-of-living payments, tax gross-ups and other similar equalization payments;

(f) paid time off payments; and

(g) all bonus, incentive, retention or commission-based remuneration of any kind (including, but not limited to, awards and spot bonus payments).

The Plan Administration Committee's classification of a remuneration item as included in or excluded from Eligible Base Compensation shall be conclusive for the purpose of the foregoing rules.

2.22 Eligible Employee . Eligible Employee means an employee who (i) for the Plan Year or the preceding Plan Year had annual compensation from the Company or another Participating Employer in excess of $150,000 taking into account Eligible Base Compensation, Bonus, Commissions, and amounts paid pursuant to and in accordance with the MICP/Other Annual Bonus or (ii) is designated by the Committee as eligible, provided in either case the employee is a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

2.23 Employee . Employee means a common-law employee of an Employer.

2.24 Employer . Employer means the Company and each Affiliate.

2.25 ERISA . ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.

2.26 Matching Amount Account . Matching Amount Account means the Account established for a Participant to record Company matching contributions credited on his or her behalf to the Plan with respect to periods commencing prior to January 1, 2015. Such Account also includes any matching amounts transferred from the St. Jude Medical S.C., Inc., U.S. Division Representative Principals and Sales Associates Deferred Compensation Plan.

2.27 MICP/Other Annual Bonus . MICP means the Management Incentive Compensation Plan of the Company, as may be hereafter amended, or any successor thereto. Other Annual Bonus means a payment made to a Participant as an employee on an annual basis under any of the bonus or incentive plans maintained by the Company.

2.28 Participant. Participant means an Eligible Employee who has an Account Balance greater than zero.

2.29 Participating Employer. Participating Employer means the Company and each Adopting Employer.

2.30 Payment Schedule. Payment Schedule means the date as of which payment of an Account under the Plan will commence and the form in which payment of such Account will be made.

2.31 Plan. Generally, the term Plan means the "St. Jude Medical, Inc. Management Savings Plan" as documented herein and as may be amended from time to time hereafter. However, to the extent permitted or required under Code Section 409A, the term Plan may in the appropriate context also mean a portion of the Plan that is treated as a single plan under Treas. Reg. Section 1.409A-1(c), or the Plan or portion of the Plan and any other nonqualified deferred compensation plan or portion thereof that is treated as a single plan under such section.

2.32 Plan Administration Committee. Plan Administration Committee shall mean the committee described in Section 8.3 appointed by the Vice President-Human Resources of the Company (and any successor to that title or position).

2.33 Plan Investment Committee. Plan Investment Committee shall mean the committee described in Section 8.5 appointed by the Vice President-Human Resources of the Company (and any successor to that title or position).

2.34 Plan Year. Plan Year means January 1 through December 31.

2.35 Pre-2015 Account. Pre-2015 Account means an Account consisting of all of a Participant's Deferred Compensation Accounts, Discretionary Amount Accounts, and Matching Amount Accounts.

2.36 Retirement Savings Plan. Retirement Savings Plan means the St. Jude Medical, Inc. Retirement Savings Plan, as currently in effect and as may be amended from time to time, and any successor thereto.

2.37 Retirement/Termination Account. Retirement/Termination Account means an Account established by the Plan Administration Committee to record amounts payable to a Participant upon Separation from Service. Retirement/Termination Accounts consist solely of Deferrals made for services performed on or after January 1, 2015, and any Company contributions made for periods commencing on or after January 1, 2015. A Participant may have no more than two Retirement/Termination Accounts, a Primary Retirement/Termination Account which shall be automatically established for a Participant upon his or her initial participation in the Plan (or on January 1, 2015, if later), and a Secondary Retirement/Termination Account which may be established by the Participant on any Compensation Deferral Agreement filed in accordance with Article IV.

2.38 Separation from Service. Separation from Service means an Employee's termination of employment with the Employer. Whether a Separation from Service has occurred shall be determined by the Plan Administration Committee in accordance with Code Section 409A.

Except in the case of an Employee on a bona fide leave of absence as provided below, an Employee is deemed to have incurred a Separation from Service if the Employer and the Employee reasonably anticipated that the level of services to be performed by the Employee after a date certain would be reduced to 20% or less of the average services rendered by the Employee

during the immediately preceding 36-month period (or the total period of employment, if less than 36 months), disregarding periods during which the Employee was on a bona fide leave of absence.

An Employee who is absent from work due to military leave, sick leave, or other bona fide leave of absence shall incur a Separation from Service on the first date immediately following the later of: (i) the six month anniversary of the commencement of the leave, or (ii) the expiration of the Employee's right, if any, to reemployment under statute or contract. Notwithstanding the preceding, however, an Employee who is absent from work due to a physical or mental impairment that is expected to result in death or last for a continuous period of at least six months and that prevents the Employee from performing the duties of his position of employment or a similar position shall incur a Separation from Service on the first date immediately following the 29-month anniversary of the commencement of the leave, unless the Company or the Participant terminates the leave before that date.

For purposes of determining whether a Separation from Service has occurred, the Employer means the Employer as defined in Section 2.24 of the Plan, except that in applying Code sections 1563(a)(1), (2) and (3) for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(b), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining whether another organization is an Affiliate of the Company under Code Section 414(c), "at least 50 percent" shall be used instead of "at least 80 percent" each place it appears in those sections.

The Plan Administration Committee specifically reserves the right to determine whether a sale or other disposition of substantial assets to an unrelated party constitutes a Separation from Service with respect to a Participant providing services to the seller immediately prior to the transaction and providing services to the buyer after the transaction.

2.39 Specified Date Account . Specified Date Account means an Account established by the Plan Administration Committee to record the amounts payable at a future date as specified in the Participant's Compensation Deferral Agreement. A Specified Date Account may be identified in enrollment materials as an "In-Service Account" or such other name as established by the Plan Administration Committee without affecting the meaning thereof. Specified Date Accounts consist solely of Deferrals made for services performed on or after January 1, 2015. A Participant may have no more than five Specified Date Accounts at any one time.

2.40 Specified Employee . Specified Employee means an Employee who, as of the date of his or her Separation from Service, is a "key employee" of the Company or any Affiliate, any stock of which is actively traded on an established securities market or otherwise.
An Employee is a key employee if he or she meets the requirements of Code Section 416(i)(1)(A)(i), (ii), or (iii) (applied in accordance with applicable regulations thereunder and without regard to Code Section 416(i)(5)) at any time during the 12-month period ending on the Specified Employee Identification Date. Such Employee shall be treated as a key employee for the entire 12-month period beginning on the Specified Employee Effective Date.

For purposes of determining whether an Employee is a Specified Employee, the compensation of the Employee shall be determined in accordance with the definition of compensation provided under Treas. Reg. Section 1.415(c)-2(d)(3) (wages within the meaning of Code section 3401(a) for purposes of income tax withholding at the source, plus amounts excludible from gross income under section 125(a), 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k) or 457(b), without regard to rules that limit the remuneration included in wages based on the nature or location of the employment or

the services performed); provided, however, that, with respect to a nonresident alien who is not a Participant in the Plan, compensation shall not include compensation that is not includible in the gross income of the Employee under Code Sections 872, 893, 894, 911, 931 and 933, provided such compensation is not effectively connected with the conduct of a trade or business within the United States.

Notwithstanding anything in this paragraph to the contrary: (i) if a different definition of compensation has been designated by the Company with respect to another nonqualified deferred compensation plan in which a key employee participates, the definition of compensation shall be the definition provided in Treas. Reg. Section 1.409A-1(i)(2), and (ii) the Company may through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Company, elect to use a different definition of compensation.

In the event of corporate transactions described in Treas. Reg. Section 1.409A-1(i)6), the identification of Specified Employees shall be determined in accordance with the default rules described therein, unless the Employer elects to utilize the available alternative methodology through designations made within the timeframes specified therein.

2.41 Specified Employee Identification Date . Specified Employee Identification Date means December 31, unless the Employer has elected a different date through action that is legally binding with respect to all nonqualified deferred compensation plans maintained by the Employer.

2.42 Specified Employee Effective Date . Specified Employee Effective Date means the first day of the fourth month following the Specified Employee Identification Date, or such earlier date as is selected by the Plan Administration Committee.

2.43 Substantial Risk of Forfeiture . Substantial Risk of Forfeiture has the meaning specified in Treas. Reg. Section 1.409A-1(d).

2.44 Unforeseeable Emergency . Unforeseeable Emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's dependent (as defined in Code section 152, without regard to section 152(b)(1), (b)(2), and (d)(1)(B)), or a Beneficiary; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, as a result of a natural disaster); or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The types of events which may qualify as an Unforeseeable Emergency may be limited by the Plan Administration Committee.

2.45 Valuation Date . Valuation Date means each Business Day.

2.46 Year of Vesting Service . Year of Vesting Service means a year of vesting service as defined in the Retirement Savings Plan.

Article III

Eligibility and Participation

3.1 Eligibility and Participation . An Employee shall be eligible to participate in the Plan on the first day of the calendar quarter that is administratively feasible following the date he or she becomes an Eligible Employee.

3.2 Duration . A Participant shall be eligible to defer compensation and receive allocations of Company Contributions, subject to the terms of the Plan, for as long as such Participant remains an Eligible Employee. In the event a Participant has, for the current Plan Year, or is expected in good faith to have for the next Plan Year, compensation from the Company or another Participating Employer equal to or less than $100,000, or the Compensation Committee, in its sole and absolute discretion, determines that a Participant is no longer an Eligible Employee, and the Participant has not Separated from Service, the Participant will not be allowed to submit future Compensation Deferral Agreements but may otherwise exercise all of the rights of a Participant under the Plan with respect to his or her Account(s). On and after a Separation from Service, a Participant shall remain a Participant as long as his or her Account Balance is greater than zero (0), and during such time may continue to make allocation elections as provided in Section 7.4. An individual shall cease being a Participant in the Plan when all benefits under the Plan to which he or she is entitled have been paid.

3.3 Rehires . An Eligible Employee who Separates from Service and who subsequently resumes performing services for the Employer in the same calendar year will have his or her Compensation Deferral Agreement for such year, if any, reinstated, but his or her eligibility to participate in the Plan in years subsequent to the year of rehire shall be governed by the provisions of Section 3.1. An Eligible Employee who Separates from Service and who subsequently resumes performing services for the Employer in a calendar year other than the calendar year in which he or she Separated from Service will be eligible to participate in the Plan upon rehire solely in accordance with the provisions of Section 3.1.

Article IV

Deferrals

1. Deferral Elections, Generally .

(a) A Participant may elect to defer compensation by submitting a Compensation Deferral Agreement during the enrollment periods established by the Plan Administration Committee and in the manner specified by the Plan Administration Committee, but in any event, in accordance with Section 4.2. A Compensation Deferral Agreement that is not timely filed with respect to a service period or component of compensation, or that is submitted by a Participant who Separates from Service prior to the latest date such agreement would become irrevocable under Section 409A, shall be considered null and void and shall not take effect. The Plan Administration Committee may modify any Compensation Deferral Agreement prior to the date the election becomes irrevocable under the rules of Section 4.2.

(b) The Plan Administration Committee may permit different deferral amounts for each component of compensation and may establish a minimum or maximum deferral amount for each such component. Unless otherwise specified by the Plan Administration Committee in the Compensation Deferral Agreement, Participants may defer up to 80% of their Eligible Base Compensation and up to 100% of Bonus, Commissions, or payments under the MICP/Other Annual Bonus. A Compensation Deferral Agreement may also specify the investment allocation described in Section 7.4.

(c) Deferrals of cash compensation shall be calculated with respect to the gross cash compensation payable to the Participant prior to any deductions or withholdings, but shall

be reduced by the Plan Administration Committee as necessary so that it does not exceed 100% of the cash compensation of the Participant remaining after deduction of all required income and employment taxes, 401(k) and other employee benefit deductions, and other deductions required by law. Changes to payroll withholdings that affect the amount of compensation being deferred to the Plan shall be allowed only to the extent permissible under Code Section 409A.

(d) The Participant shall specify on his or her Compensation Deferral Agreement the amount of Deferrals and whether to allocate Deferrals to one or more Retirement/Termination Accounts or to one or more Specified Date Accounts. If no designation is made, Deferrals shall be allocated to the Primary Retirement/Termination Account. A Participant may also specify in his or her Compensation Deferral Agreement the form in which amounts allocated to his or her Plan Accounts shall be distributed. If the form of payment is not specified for one or more Accounts, amounts allocated to such Account shall be distributed in a single lump sum.

4.2 Timing Requirements for Compensation Deferral Agreements .

(a) *First Year of Eligibility.* In the case of the first year in which an Eligible Employee becomes eligible to participate in the Plan, the Plan Administration Committee may permit him or her to submit a Compensation Deferral Agreement during the enrollment period established by the Plan Administration Committee, which enrollment period shall not extend beyond the date which is 30 days after the date he or she is first eligible to participate. Any Compensation Deferral Agreement described in this paragraph becomes irrevocable 30 days after the effective date of the individual's eligibility to participate in the Plan.

A Compensation Deferral Agreement filed under this paragraph applies to compensation earned for pay periods beginning in the first calendar quarter commencing after the end of the enrollment period specified by the Plan Administration Committee or such later date as the Plan Administration Committee may designate. Notwithstanding anything to the contrary herein, a Compensation Deferral Agreement filed under this paragraph that takes effect on a date other than the first day of a Plan Year shall not apply to MICP/Other Annual Bonus payments earned such year.

An Eligible Employee who Separates from Service and who subsequently resumes performing services for the Employer in the same calendar year will not be allowed to submit a new Compensation Deferral Agreement under this paragraph if he or she had a Compensation Deferral Agreement in effect for such year, but shall instead have his or her prior Compensation Deferral Agreement reinstated for such year.

(a) *Prior Year Election.* Except as otherwise provided in this Section 4.2, the Plan Administration Committee may permit an Eligible Employee to defer Compensation for a year by filing a Compensation Deferral Agreement no later than December 31 of the year prior to the year in which the Compensation to be deferred is earned. A Compensation Deferral Agreement filed under this paragraph shall become irrevocable on January 1 of the next following year and shall apply to compensation earned in pay periods which commence on or after such January 1.

(b) *Certain Forfeitable Rights.* With respect to a legally binding right to a payment in a subsequent year that is subject to a forfeiture condition requiring the Participant's continued services for a period of at least 12 months from the date the Participant obtains the legally binding right, the Plan Administration Committee may permit an Eligible Employee to defer such compensation by filing a Compensation Deferral Agreement on or before the 30 th day after the legally binding right to the compensation accrues, provided that the Compensation Deferral Agreement is submitted at least 12 months in advance of the earliest date on which the forfeiture condition could lapse. The Compensation Deferral Agreement described in this paragraph becomes irrevocable after such 30 th day. If the forfeiture condition applicable to the payment lapses before the end of such 12-month period as a result of the Participant's death or disability (as defined in Treas. Reg. Section 1.409A-3(i)(4)) or upon a change in control event (as described in Treas. Reg. Section 1.409A-3(i)(5)), the Compensation Deferral Agreement will be void unless it would be considered timely under another rule described in this Section.

(c) *"Evergreen" Deferral Elections.* The Plan Administration Committee, in its discretion, may provide that Compensation Deferral Agreements will continue in effect for subsequent years or performance periods by communicating that intention to Participants. Such "evergreen" Compensation Deferral Agreements will become effective with respect to an item of compensation on the date such election becomes irrevocable under this Section 4.2. An evergreen Compensation Deferral Agreement may be terminated or modified prospectively with respect to Compensation for which such election remains revocable under this Section 4.2. A Participant whose Compensation Deferral Agreement is cancelled in accordance with Section 4.6 will be required to file a new Compensation Deferral Agreement under this Article IV in order to recommence Deferrals under the Plan.

4.3 Allocation of Deferrals . A Compensation Deferral Agreement may allocate Deferrals to one or more Specified Date Accounts and/or to one or both Retirement/Termination Accounts. The Plan Administration Committee may, in its discretion, establish a minimum deferral period for the establishment of a Specified Date Account (for example, the second Plan Year following the year compensation is first allocated to such accounts.). In the event a Participant's Compensation Deferral Agreement allocates compensation to a Specified Date Account that does not satisfy the minimum deferral period established by the Plan Administration Committee (if any), the compensation shall be allocated to the Retirement/Termination Account of the Participant with the shortest payment duration.

4.4 Deductions from Pay . The Plan Administration Committee has the authority to determine the payroll practices under which any component of compensation subject to a Compensation Deferral Agreement will be deducted from a Participant's compensation. To the extent the Plan Administration Committee allows Deferrals from compensation equal to corrective distributions received from a qualified 401(k) plan of the Employer, Deferrals equal to the amount of the corrective distribution shall be deducted from the first payment of compensation made on or after the date such corrective distribution is issued to the Participant, and shall be deducted from subsequent compensation payments only to the extent the first compensation payment is insufficient to fully fund the Deferral.

4.5 Vesting . Participant Deferrals shall be 100% vested at all times.

4.6 Cancellation of Deferrals . The Plan Administration Committee may cancel a Participant's Deferrals: (i) for the balance of the Plan Year in which an Unforeseeable Emergency occurs, and (ii) if the Participant receives a hardship distribution under the Employer's qualified 401(k) plan, through the end of the Plan Year in which the six month anniversary of the hardship distribution falls. To the extent Deferrals are cancelled under (i) or (ii), no subsequent Compensation Deferral Agreement may take effect prior to the first day of the Plan Year that begins on or after the 12-month anniversary of the emergency payment or hardship distribution.

Article V

Company Contributions

5.1 Matching Contributions . For each Plan Year, the Participating Employer may, from time to time in its sole and absolute discretion, credit Matching Contributions to the Account of a Participant who has completed a Year of Vesting Service and is employed on the last day of such Plan Year. Such contributions shall be based on whether a matching contribution is made by the Company under the Retirement Savings Plan with respect to that Plan Year and, if a contribution is made, the amount of such contribution. If a Matching Contribution is credited to a Participant's Account pursuant to this Section 5.1, it shall be an amount equal to the product of:

(a) The rate of matching contributions made by the Company, if any, with respect to elective deferrals under the Retirement Savings Plan, multiplied by

(b) The amount the Participant elected to defer for the Plan Year in accordance with the Participant's election under Section 4.2 up to 3% of the first one hundred thousand dollars ($100,000) of the Participant's compensation for the Plan Year that exceeds the compensation limit under Code Section 401(a)(17) for such year;

provided, however, that the total of Matching Contributions under this Plan and matching contributions the Company made or would have made under the Qualified Plan if the Participant made the maximum elective deferrals permitted for highly compensated employees under that plan shall not exceed 100% of the matching contribution that would have been provided under the Retirement Savings Plan absent any plan-based restrictions that reflect limits on qualified plan contributions under the Code and based upon compensation as defined under the Retirement Savings Plan. Matching Contributions credited on or after January 1, 2015, shall be credited to a Participant's Primary Retirement/Termination Account.

5.2 Discretionary Company Contributions . The Participating Employer may, from time to time in its sole and absolute discretion, make Discretionary Contributions for a Plan Year to the account of one or more Participants, provided the Participant is an employee of the Company or another Participating Employer as of the last day of the Plan Year and determined in accordance with the provisions of this Section 5.2. Authorization for any Discretionary Contributions pursuant to this Section 5.2 shall be by written resolution duly authorized by the Compensation Committee, which resolution shall specify the amount of the contribution (whether in terms of dollars, percentage of net profits, or percentage of Participant compensation), the period to which the Discretionary Contribution is to be allocated, and any other terms applicable to such contribution. Unless otherwise specified, such resolution shall apply only to the contribution so authorized, and shall not authorize any such Discretionary Contribution for any future period. In the event no resolution is adopted by the Compensation Committee or its delegate, no Discretionary Contribution shall be

authorized or presumed. All Discretionary Contributions will be credited to a Participant's Primary Retirement/Termination Account.

5.3 Vesting . Except as may be otherwise provided by the Participating Employer, Company Contributions described in Sections 5.1 and 5.2, above, and the Earnings thereon, shall become vested based on the Participant's Years of Vesting Service, as follows:

Years of Vesting Service	Vested Percentage
Less than one	0%
At least one but less than two	20%
At least two but less than three	40%
At least three but less than four	60%
At least four but less than five	80%
Five or more	100%

All Company Contributions shall become 100% vested upon the occurrence of a Change in Control. The Participating Employer may, at any time, in its sole discretion, increase a Participant's vested interest in a Company Contribution. The portion of a Participant's Accounts that remains unvested upon his or her Separation from Service after the application of the terms of this Section 5.3 shall be forfeited. The provisions of this Section 5.3 shall apply to any amounts credited to a Participant's Matching Amounts Account or Discretionary Amounts Account, including discretionary amounts and matching amounts transferred from the St. Jude Medical S.C., Inc., U.S. Division Representative Principals and Sales Associates Deferred Compensation Plan that were not vested as of the date the transfer occurred; transferred amounts that were vested as of the date of transfer shall continue to be fully vested.

Notwithstanding anything to the contrary herein:

(a) Except as otherwise provided by written agreement between a Participant and the Company, notwithstanding any provision in this Article V to the contrary, the Participant's vested interest in any amounts credited under the Plan shall not be accelerated to the extent that the Company determines that such acceleration would cause the deduction limitations of Code §280G to become effective. The provisions of this paragraph (a) shall take precedence over the provisions of any other agreement between the Participant and the Company to which the deduction limitation of Code §280G applies, and shall result in any reduction under the deduction limitations of Code §280G being applied first to the Participant's Accounts under this Plan before any other reduction as a result of the limitations of Code §280G.

(b) In the event that vesting of any amounts credited under the Plan is not accelerated pursuant to such a determination, the Participant may request independent verification of the calculations of the Company with respect to the application of Code §280G. In such case, the Company must provide to the Participant within 30 business days of such a request an opinion from a national accounting firm selected by the Participant, to the effect that, in the opinion of that accounting firm that any limitation in the vested percentage hereunder is necessary to avoid the limits of Code §280G, and containing supporting calculations, or, in the absence of such an opinion, shall cause such amounts to become fully vested. The cost of such opinion shall be paid for by the Company.

(c) Any amounts credited under the Plan that are not accelerated due to such a determination shall continue to be subject to the Vesting Schedule of this Section 5.3 without regard to the acceleration provisions thereof.

Article VI

Payments from Accounts

A Participant's Accounts shall be distributed in accordance with the provisions of this Article VI.

6.1 Retirement/Termination Accounts shall be distributed commencing the first calendar quarter that begins after Separation from Service, based on the value of the Account(s) as determined under Article VII. Payment shall be made in a single lump sum, unless the Participant elects on the Compensation Deferral Agreement with which the Account was established to have such Account paid in quarterly installments over a period of two to fifteen years. Notwithstanding anything to the contrary in this Section 6.1, if at the time a Participant Separates from Service he or she has fewer than five Years of Vesting Service or the total of all of his Accounts is $25,000 or less, all of his Accounts will be distributed in a single lump sum.

Notwithstanding anything to the contrary in this Section 6.1, payment to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service will be made or begin in the first calendar quarter following the six-month anniversary of the Participant's Separation from Service (or within 90 days of the Participant's date of death, if earlier). Any payments that are delayed due to status as a Specified Employee shall be accumulated and such amounts, with any Earnings accumulated during the delay, shall begin distribution in the first calendar quarter following the six-month anniversary of Separation from Service.

6.2 Specified Date Accounts shall be distributed in January of the year selected by the Participant, based on the value of the Account(s) as determined under Article VII. Payment shall be made in a single lump sum, unless the Participant elects on the Compensation Deferral Agreement with which the Account was established to have such Account paid in annual installments over a period of up to five years.

In the event a Participant Separates from Service before his or her Specified Date Account(s) has been fully distributed, any remaining balances shall be distributed in a single lump sum, unless the Participant elects, on the Compensation Deferral Agreement with which the Account was established, to have such remaining balances distributed in accordance with his or her Primary Retirement/Termination Account payment elections. Payment shall be made at the time specified in Section 6.1.

6.3 Pre-2015 Accounts (other than a Deferred Compensation Account(s)s payable at a scheduled date) shall be distributed commencing the first calendar quarter that begins after Separation from Service, based on the value of the Account(s) as determined under Article VII. Payment shall be made in a single lump sum, unless the Participant elects on the Compensation Deferral Agreement with which the Account was established to have such Account paid in quarterly installments over a period of five, ten or fifteen years. Notwithstanding anything to the contrary in this Section 6.3, if at the time a Participant Separates from Service he or she has fewer than five Years of Vesting Service or the total of all of his Accounts is $25,000 or less, all of his Accounts will be distributed in a single lump sum.

Notwithstanding anything to the contrary in this Section 6.3, payment to a Participant who is a Specified Employee as of the date such Participant incurs a Separation from Service will be made or begin in the first calendar quarter following the six-month anniversary of the Participant's Separation from Service (or within 90 days of the Participant's date of death, if earlier). Any payments that are delayed due to status as a Specified Employee shall be accumulated and such amounts, with any Earnings accumulated during the delay, shall begin distribution in the first calendar quarter following the six-month anniversary of the Separation from Service.

The portion of a Participant's Pre-2015 Account consisting of Deferred Compensation Accounts that are payable upon a scheduled date shall be paid in a single lump sum in January of the year specified, based on the value of the Account(s) as determined under Article VII. In the event a Participant Separates from Service before such Account(s) are distributed, such Account(s) shall be distributed in accordance with the form and timing of payments applicable to his or her Discretionary and Match Amount Accounts for the year the deferrals were made.

6.4 Death . Notwithstanding anything to the contrary in this Article VI, upon the death of the Participant, all Retirement/Termination Accounts, Specified Date Accounts, and Pre-2015 Accounts shall be paid to his or her Beneficiary in a single lump sum within 90 days of the date of the Participant's death.

(a) *Designation of Beneficiary in General* . The Participant shall designate one or more primary and/or contingent Beneficiaries on the forms provided by the Plan Administration Committee or on such terms and conditions as the Plan Administration Committee may prescribe. No such designation shall become effective unless filed with and accepted by the Plan Administration Committee during the Participant's lifetime. Any designation shall remain in effect until a new designation is filed with the Plan Administration Committee; provided, however, that in the event a Participant designates his or her spouse as a Beneficiary, such designation shall be automatically revoked upon the dissolution of the marriage unless, following such dissolution, the Participant submits a new designation naming the former spouse as a Beneficiary. A Participant may from time to time change his or her designated Beneficiary without the consent of a previously-designated Beneficiary by filing a new designation with the Plan Administration Committee.

(b) *No Beneficiary* . If a designated Beneficiary does not survive the Participant, or if there is no valid Beneficiary designation, amounts payable under the Plan upon the death of the Participant shall be paid to the first of the following classes of individuals with a member surviving the Participant and (except in the case of surviving issue) in equal shares if there is more than one member in such class:

(i) Participant's surviving spouse

(ii) Participant's surviving issue per stirpes and not per capita

(i) Participant's surviving parents
(ii) Participant's surviving brothers and sisters
(iii) Participant's estate.

(c) *Disclaimers by Beneficiaries* . A Beneficiary entitled to a distribution of all or a portion of the benefits which may be payable with respect to the Participant under the Plan may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of

all or any portion of the benefits which may be payable with respect to the Participant under the Plan at the time such disclaimer is executed and delivered, and must have attained at least age 21 years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed benefits payable with respect to the Participant under the Plan is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to the Company after the date of the Participant's death but not later than 60 days after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Company. A disclaimer shall be considered to be delivered to the Company only when actually received and acknowledged by the Company. The Company shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of the Plan and shall not be considered to be an assignment or alienation of benefits in violation of federal law prohibiting the assignment or alienation of benefits under this Plan. No other form of attempted disclaimer shall be recognized by the Company.

(d) *Definitions* . When used herein and, unless the Participant has otherwise specified in the Participant's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Participant.

(e) *Special Rules* . Unless the Participant has otherwise specified in the Participant's Beneficiary designation, the following rules shall apply:

(i) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Participant, it shall be deemed that the Beneficiary was not living at the time of the death of the Participant.

(ii) The automatic Beneficiaries specified in subsection (b) of this Section 6.4 and the Beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.

(iii) If the Participant designates as a Beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Beneficiary on a form executed by the Participant and received by the Company

after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)

(iv) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.

(v) Any designation of a Beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

(f) *Validity of Designation* . A Beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Company shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

(g) *No Spousal Rights* . Prior to the death of the Participant, no spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the benefits credited under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Participant.

6.5 Unforeseeable Emergency . A Participant who experiences an Unforeseeable Emergency may submit a written request to the Plan Administration Committee to receive payment of all or any portion of his or her vested Accounts. If an emergency payment is approved by the Plan Administration Committee, (i) the amount of the payment shall not exceed the amount reasonably necessary to satisfy the need, taking into account the additional compensation that is available to the Participant as the result of cancellation of deferrals to the Plan, including amounts necessary to pay any taxes or penalties that the Participant reasonably anticipates will result from the payment, and (ii) deferrals shall be cancelled for the time specified in Section 4.6. Emergency payments shall be paid in a single lump sum within the 90-day period following the date the payment is approved by the Plan Administration Committee, and shall be subtracted from the Participant's Accounts in the following order: (i) from any Specified Date Accounts, beginning with the Specified Date Account with the latest payment commencement date, (ii) then from Deferred Compensation Accounts scheduled to be paid at a specified date, beginning with the Account with the latest payment commencement date, (iii) then from any Retirement/Termination Accounts, beginning with the Account with the longest payment period, and (iv) finally from any Pre-2015 Accounts scheduled to be paid at Separation from Service, beginning with the Account with the longest payment period.

6.6 Small Balances . Notwithstanding anything to the contrary in this Article VI, the Plan Administration Committee may direct in writing an immediate lump sum payment of the Participant's Accounts if the balance of such Accounts, combined with any other amounts required to be treated as deferred under a single plan pursuant to Code Section 409A, does not exceed the applicable dollar amount under Code Section 402(g)(1)(B), provided any other such aggregated amounts are also distributed in a lump sum at the same time. Such lump sum payment shall automatically be made if the balance of such Accounts does not exceed the applicable dollar amount under Code Section 402(g)(1)(B) at the time the Participant Separates from Service.

6.7 Administrative Discretion with Regard to Timing of Payments . Notwithstanding anything to the contrary in this Article VI, the Plan Administration Committee may make a payment at the time specified in the preceding paragraphs or at a later date that falls in the same calendar year as the specified time or, if later, by the 15 th day of the third calendar month following the time specified, provided the Participant is not permitted, directly or indirectly, to designate the taxable year in which payment will be made. Further, the Plan Administration Committee may make a payment up to 30 days preceding the time specified in the preceding paragraphs, provided the Participant is not permitted, directly or indirectly, to designate the taxable year in which the payment will be made. To the extent the Plan Administration Committee exercises its discretion hereunder, payment of the Account shall be based on the value of the Account as of the date specified by the Plan Administration Committee, which shall be no earlier than the end of the month preceding payment and shall be no later than the Business Date preceding the date of payment.

6.8 Acceleration of or Delay in Payments . Notwithstanding anything to the contrary in this Article VI, the Plan Administration Committee, in its sole and absolute discretion, may elect to accelerate the time or form of payment of an Account, provided such acceleration is permitted under Treas. Reg. Section 1.409A-3(j)(4). The Plan Administration Committee may also, in its sole and absolute discretion, delay the time for payment of an Account, to the extent permitted under Treas. Reg. Section 1.409A-2(b)(7).

6.9 Rules Applicable to Installment Payments . If a Payment Schedule specifies installment payments, annual payments will be made beginning as of the payment commencement date for such installments and shall continue on each anniversary thereof until the number of installment payments specified in the Payment Schedule has been paid. The amount of each installment payment shall be determined by dividing (a) by (b), where (a) equals the Account Balance as of the Valuation Date and (b) equals the remaining number of installment payments. For purposes of Section 6.10, installment payments will be treated as a single form of payment. If an Account is payable in installments, the Account will continue to be credited with Earnings in accordance with Article VII hereof until the Account is completely distributed.

6.10 Modifications to Payment Schedules . A Participant may not modify the Payment Schedule elected by him or her with respect to a Retirement/Termination Account, nor with respect to that portion of the Pre-2015 Account scheduled to be paid upon Separation from Service. A Participant may make one modification to the Payment Schedule of each Specified Date Account, and to that portion of any Deferred Compensation Accounts that are distributable upon a scheduled date, consistent with the permissible Payment Schedules available under the Plan, provided such modification complies with the requirements of this Section 6.10.

(a) *Time of Election* . The date on which a modification election is submitted to the Plan Administration Committee must be at least 12 months prior to the date on which payment is scheduled to commence under the Payment Schedule in effect prior to the modification.

(b) *Date of Payment under Modified Payment Schedule* . The date payments are to commence under the modified Payment Schedule must be no earlier than five years after the date payment would have commenced under the original Payment Schedule, unless the modification relates to amounts payable upon death or Disability. Under no circumstances may a modification election result in an acceleration of payments in violation of Code Section 409A.

(c) *Effective Date* . A modification election submitted in accordance with this Section 6.10 is irrevocable 12 months after the date it is received by the Plan Administration Committee.

(d) *Effect on Accounts* . An election to modify a Payment Schedule is specific to the Account or payment event to which it applies, and shall not be construed to affect the Payment Schedules of any other Accounts.

Article VII

Valuation of Account Balances; Investments

7.1 Valuation . Deferrals shall be credited to appropriate Accounts on the date such compensation would have been paid to the Participant absent the Compensation Deferral Agreement. Company Contributions shall be credited to the Retirement/Termination Account at the times related contributions are credited to the Retirement Savings Plan or, if there are no related contributions, at the times determined by the Compensation Committee. Valuation of Accounts shall be performed under procedures approved by the Plan Investment Committee.

7.2 Earnings Credit . Each Account will be credited with Earnings on each Business Day, based upon the Participant's investment allocation among a menu of investment options selected in advance by the Plan Investment Committee, in accordance with the provisions of this Article VII ("investment allocation"). Earnings on amounts deferred or credited to the Plan shall accrue as soon as administratively feasible following the date of deferral or crediting. Earnings shall no longer accrue as of a date no later than seven business days prior to the date an amount is distributed from a Participant's Account.

7.3 Investment Options . Investment options will be determined by the Plan Investment Committee. The Plan Investment Committee, in its sole discretion, shall be permitted to add or remove investment options from the Plan menu from time to time, provided that any such additions or removals of investment options shall not be effective with respect to any period prior to the effective date of such change.

7.4 Investment Allocations . A Participant's investment allocation constitutes a deemed, not actual, investment among the investment options comprising the investment menu. At no time shall a Participant have any real or beneficial ownership in any investment option included in the investment menu, nor shall the Participating Employer or any trustee acting on its behalf have any obligation to purchase actual securities as a result of a Participant's investment allocation. A Participant's investment allocation shall be used solely for purposes of adjusting the value of a Participant's Account Balances.

A Participant shall specify an investment allocation for each of his Accounts in accordance with procedures established by the Plan Administration Committee. Allocation among the investment options must be designated in increments of 1%. The Participant's investment allocation will become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Plan Administration Committee, the next Business Day.

A Participant may change an investment allocation on any Business Day, both with respect to future credits to the Plan and with respect to existing Account Balances, in accordance with procedures adopted by the Plan Administration Committee. Changes shall become effective on the same Business Day or, in the case of investment allocations received after a time specified by the Plan Administration Committee, the next Business Day, and shall be applied prospectively.

7.5 Unallocated Deferrals and Accounts . If the Participant fails to make an investment allocation with respect to an Account, such Account shall be invested in the Vanguard Target Retirement Fund investment option for the year closest to the year the Participant will attain age 65, as determined by the Plan Investment Committee.

Article VIII

Administration

8.1 Role of the Company . The Company is the sponsor of the plan.

8.2 Role of the Board and Compensation Committee . The Board of Directors, or the Compensation Committee of the Board or with respect to subsections (a) and (c) below, any committee or position of the Company designated by the Board, acting on behalf of the Company, shall have the following duties and responsibilities:

(a) to amend or terminate the Plan, pursuant to Article IX;

(b) to annually determine the amount of any Company contributions, pursuant to Article V; and

(c) to approve the merger or spin-off of the Plan or any portion of the Plan.

8.3 Role of the Plan Administration Committee . The Plan Administration Committee shall have the authority, responsibilities and full discretion to serve on behalf of the Company in the administration of the Plan. The Company's Vice President of Human Resources shall serve as Chairperson of the Plan Administration Committee, and shall be responsible for the appointment of committee members. The Plan Administration Committee shall adopt a charter, setting forth the structure and operating procedures for the Plan Administrator. The charter shall also specify the functions, authority and discretion retained by the committee and the functions, authority and discretion delegated to others in accordance with the Plan and the charter.

(a) *General Responsibilities* . The Plan Administration Committee shall not have the authority to delegate the said role of Plan Administrator. However, the Plan Administration Committee may delegate and allocate responsibilities for the administration of the Plan and may delegate specified administrative functions, discretion or authority as it deems appropriate, by written contract, direction letter or written instrument of delegation to the Benefit Administrator, trustee, a third-party special-purpose Administrator, legal counsel, a professional consultant or advisor, or to designated employees of the Company.

(b) *Specific Responsibilities* . Without limiting the general responsibilities of the Plan Administrator, the Plan Administration Committee shall have the following specific authority, responsibility and discretion:

(1) authority to amend its charter;

(2) authority and discretion to adopt and amend one or more of the following:

(A) the Plan Administration Policies, and benefit policy objectives, for the Plan;

(B) the Ethics and Conflicts of Interest Policies for members and service providers;

(C) document retention policies pertaining to the Plan, and policies prohibiting document tampering; and to review and comment upon policies prohibiting retaliation against any employee who identifies a potential compliance issue (a "whistleblower"), as such policies apply to Plan compliance;

(3) authority to delegate to the Secretary of the Plan Administration Committee of the Company, and/or other employees, the performance of various Plan administration duties, including the authority and responsibility to issue direction letters to the Benefit Administrator and Trustee, subject to the responsibility to periodically review the performance of such duties;

(4) authority to approve the appointment and/or replacement of the Benefit Administrator and the terms of any contractual agreements and amendments governing the Benefit Administrator and to monitor the performance of its duties;

(5) authority to appoint and retain professional advisors, consultants and legal counsel and the terms of any contractual agreements and amendments thereto governing any of the foregoing;

(6) authority and responsibility to maintain the respective Plan documents in accordance with the provisions of applicable law, and the authority to delegate to legal counsel the duty to advise and assist;

(7) authority and responsibility to conduct compliance reviews, the frequency and scope of which as may be provided in the Plan Administration Policies;

(8) authority and responsibility to review the results of any audit and to ensure that any government filings required for the Plan are accurately prepared and filed in a timely manner;

(9) authority and responsibility to prepare and distribute in a timely manner the respective Plan communications;

(10) responsibility to periodically monitor Plan utilization and to review the alignment of Plan design with the Employer's business goals for the Plan;

(11) responsibility to report annually to the Compensation Committee of the Board of Directors, by means of a presentation by the Chairperson; and

(12) authority and responsibility to conduct a periodic governance self-assessment of the structure and processes of the Plan Administration Committee, its composition of members, and its charter.

The Plan Administration Committee shall have the aforementioned powers to the maximum extent permitted by law. All findings, decisions and determinations made by the Plan Administration Committee shall, to the fullest extent permitted by law, be final and binding upon all parties and shall not be subject to de novo review if challenged in court.

8.4 Role of the Benefit Administrator . The Benefit Administrator is the contractual service provider to the Plan appointed by the Plan Administration Committee to assist the Plan Administration Committee in the administration of the Plan as provided in this Article VIII and the Plan Investment Committee in the designation of the investment options as provided in Article VII. The Benefit Administrator's duties shall be stated in contractual agreements with the Plan Administration Committee, including, for example, serving as: record keeper for participant accounts in the Plan; manager of the call center and websites that support the Plan; and provider of administrative forms, notices and communications to participants. The Benefit Administrator shall perform such services in accordance with the terms of its contractual agreement(s) with the Plan Administration Committee and/or the Plan Investment Committee.

8.5 Role of the Plan Investment Committee . The Plan Investment Committee shall have the authority, responsibilities and full discretion to carry out the functions set forth in Article VII. The Vice President of Human Resources of the Company shall serve as Chairperson of the Plan Investment Committee, and shall be responsible for the appointment of committee members. The Plan Investment Committee shall adopt a charter, setting forth the structure and operating procedures for the committee. The charter shall also specify the functions, authority and discretion retained by the committee and the functions, authority and discretion delegated to others in accordance with the Plan and the charter.

(a) *General Responsibilities* . The Plan Investment Committee shall monitor the investment of assets in the rabbi trust associated with the Plan (if any). However, the Plan Investment Committee may delegate and allocate such responsibilities for the investment of such assets (other than the duties of the rabbi trustee) and may delegate specified investment authority, responsibility and discretion as it deems appropriate, by written contract, direction letter or written instrument of delegation to the Benefit Administrator, rabbi trustee, a third-party special-purpose Administrator, legal counsel, a professional consultant or advisor, or to designated employees of the Company.

(b) *Maintaining the Plan's Investment Policy* . The Plan Investment Committee shall have the authority and responsibility to develop, maintain and update an investment policy, monitor on a regular basis the investment performance and any material developments affecting each investment option, and furthermore to periodically monitor the allocation of participant investments among the funds.

(c) *Authority to Retain or Change Investment Options* . The Plan Investment Committee shall have the authority and responsibility to periodically review the appropriateness of the Plan's investment options as a whole and to approve, without further review or approval by any other decision maker, any one or more additions, deletions or replacements of investment options. This authority and responsibility shall be exercised in accordance with an investment policy. A decision by the Plan Investment Committee to add, delete or replace an investment option will not constitute a Plan amendment and is not, therefore, subject to review or approval by the Board of Directors or any of its committees, but notice of any such decision shall be communicated to the Plan Administration Committee prior to the effective date to facilitate the preparation of appropriate communications to Participants.

(d) *Specific Responsibilities* . Without limiting the general responsibilities set forth above, the Plan Investment Committee shall have the following specific authority, responsibility and discretion:

(1) authority to amend its charter;

(2) authority and discretion to adopt and amend an investment policy for the selection, performance review monitoring and oversight of the Plan's investment options;

(3) authority and discretion to adopt and amend one or more policies pertaining to such topics as:

(A) offerings of investment education or investment advice to Plan Participants;

(B) rules and procedures relating to Participant allocations to investment options and transfers, and the permitted frequency thereof;

(C) allocation of Plan expenses between the Company, the rabbi trust and individual Participant accounts;

(D) allocation of authority and responsibility for proxy voting of any shares held in connection with this Plan other than mutual funds, and

(E) ethics and conflicts of interest policies for Plan Investment Committee members.

(4) authority to approve the appointment and/or replacement of any one or more rabbi trustees and custodians and the terms of any contractual agreements and amendments with either of them, and to monitor the performance of the duties delegated to each;

(5) authority to delegate to the Secretary of the Plan Administration Committee of the Employer the performance of various authority and discretion regarding the investment options, including the authority and responsibility to issue direction letters to any person;

(6) authority to appoint, monitor and remove professional advisors, consultants, legal counsel, providers of investment education, investment advice and investment management services to participants in the Plan, and the terms of any contractual agreements and amendments governing any of the foregoing;

(7) authority and responsibility to routinely distribute to Participants, and to make available on any Participant's request, the various forms of information about investment options and any other communications pertaining to the investment education or the allocation among investment options, as the Plan Investment Committee determines is appropriate;

(8) responsibility to ensure that the Participants are complying with any applicable requirements of any policy of the Plan Investment Committee, fund prospectus, or regulation, pertaining to the frequency of trading of fund investments; and

(9) responsibility to report annually to the Compensation Committee of the Board of Directors, by means of a presentation by the Chairperson; and

(10) authority and responsibility to conduct a periodic governance self-assessment of the structure and processes of the Plan Investment Committee, its composition of members, and its charter.

The Plan Investment Committee shall have the aforementioned powers to the maximum extent permitted by law. All findings, decisions and determinations made by the Plan Investment Committee shall, to the fullest extent permitted by law, be final and binding upon all parties and shall not be subject to de novo review if challenged in court.

8.6 Compensation. No member of the Plan Administration or Plan Investment Committees shall receive any compensation from the Trust for services provided.

8.7 Indemnity. The Company shall, to the greatest extent permitted by applicable law, indemnify each member of the Plan Administration and Plan Investment Committees, and any other employee of the Company, including any officer, who in the performance of his or her duties as an employee exercises any discretion or control over the administration of the Plan or its assets against any and all claims, loss, damages, expenses (including counsel fees approved by the respective committee), and liability (including any amounts paid in settlement with the respective committee's approval) arising from any loss or damage or depreciation which may result in connection with the execution of the respective committee's duties or the exercise of the respective committee's discretion or from any other action or failure to act hereunder.

8.8 Powers Denied. No action of the Plan Administration Committee or Plan Investment Committee shall:

(a) alter the amount of contributions otherwise payable to the Plan;

(b) cause the Plan to fail to qualify under Code §409A or as a rabbi trust;

(c) increase the duties or liabilities of the rabbi trustee without its written consent; or

(d) cause contributions to, or the assets of the rabbi trust to ever revert to or be used or enjoyed by the Employer, except as provided in this Plan or in the trust instrument.

Article IX

Amendment and Termination

9.1 Amendment and Termination. The Company may at any time and from time to time amend the Plan or may terminate the Plan as provided in this Article IX. Each Participating Employer may also terminate its participation in the Plan.

9.2 Amendments. The Company, by action taken by its Board of Directors, may amend the Plan at any time and for any reason, provided that following a Change in Control any such amendment shall not have a materially adverse impact on a Participant's reasonably expected economic benefit attributable to compensation deferred by the Participant prior to the Change in Control.

9.3 Termination. The Company, by action taken by its Board of Directors, may terminate the Plan and pay Participants and Beneficiaries their Account Balances in a single lump sum at any time, to the extent and in accordance with Treas. Reg. Section 1.409A-3(j)(4)(ix). If an Adopting Employer terminates its participation in the Plan, or if the Company terminates the participation of an

Adopting Employer, the benefits of affected Employees shall be paid at the time provided in Article VI.

9.4 Accounts Taxable Under Code Section 409A . The Plan is intended to constitute a plan of deferred compensation that meets the requirements for deferral of income taxation under Code Section 409A. The Plan Administration Committee, pursuant to its authority to interpret the Plan, may sever from the Plan or any Compensation Deferral Agreement any provision or exercise of a right that otherwise would result in a violation of Code Section 409A.

Article X

Informal Funding

10.1 General Assets . Obligations established under the terms of the Plan may be satisfied from the general funds of the Participating Employers, or a trust described in this Article X. No Participant, spouse or Beneficiary shall have any right, title or interest whatever in assets of the Participating Employers. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Participating Employers and any Employee, spouse, or Beneficiary. To the extent that any person acquires a right to receive payments hereunder, such rights are no greater than the right of an unsecured general creditor of the Participating Employer.

10.2 Rabbi Trust . A Participating Employer may, in its sole discretion, establish a grantor trust, commonly known as a rabbi trust, as a vehicle for accumulating assets to pay benefits under the Plan. Payments under the Plan may be paid from the general assets of the Participating Employer or from the assets of any such rabbi trust. Payment from any such source shall reduce the obligation owed to the Participant or Beneficiary under the Plan.

If a rabbi trust is in existence upon the occurrence of a Change in Control, each Participating Employer shall contribute in cash or liquid securities such amounts as are necessary so that the value of assets after making the contributions equals the total value of all Account Balances.

Article XI

Claims

11.1 Filing a Claim . Any controversy or claim arising out of or relating to the Plan shall be filed in writing with the Plan Administration Committee which shall make all determinations concerning such claim. Any claim filed with the Plan Administration Committee and any decision by the Plan Administration Committee denying such claim shall be in writing and shall be delivered to the Participant or Beneficiary filing the claim (the "Claimant").

(a) *In General.* Notice of a denial of benefits will be provided within 90 days of the Plan Administration Committee's receipt of the Claimant's claim for benefits. If the Plan Administration Committee determines that it needs additional time to review the claim, the Plan Administration Committee will provide the Claimant with a notice of the extension before the end of the initial 90-day period. The extension will not be more than 90 days from the end of the initial 90-day period and the notice of extension will explain the special circumstances that require the extension and the date by which the Plan Administration Committee expects to make a decision.

(b) *Contents of Notice.* If a claim for benefits is completely or partially denied, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language. The notice shall: (i) cite the pertinent provisions of the Plan document, and (ii) explain, where appropriate, how the Claimant can perfect the claim, including a description of any additional material or information necessary to complete the claim and why such material or information is necessary. The claim denial also shall include an explanation of the claims review procedures and the time limits applicable to such procedures, including a statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse decision on review.

11.2 Appeal of Denied Claims . A Claimant whose claim has been completely or partially denied shall be entitled to appeal the claim denial by filing a written appeal with the Plan Administration Committee. A Claimant who timely requests a review of the denied claim (or his or her authorized representative) may review, upon request and free of charge, copies of all documents, records and other information relevant to the denial and may submit written comments, documents, records and other information relevant to the claim to the Plan Administration Committee. All written comments, documents, records, and other information shall be considered "relevant" if the information: (i) was relied upon in making a benefits determination, (ii) was submitted, considered or generated in the course of making a benefits decision regardless of whether it was relied upon to make the decision, or (iii) demonstrates compliance with administrative processes and safeguards established for making benefit decisions. The Plan Administration Committee may, in its sole discretion and if it deems appropriate or necessary, decide to hold a hearing with respect to the claim appeal.

(a) *In General.* Appeal of a denied benefits claim must be filed in writing with the Plan Administration Committee no later than 60 days after receipt of the written notification of such claim denial. The Plan Administration Committee shall make its decision regarding the merits of the denied claim within 60 days following receipt of the appeal (or within 120 days after such receipt, in a case where there are special circumstances requiring extension of time for reviewing the appealed claim). If an extension of time for reviewing the appeal is required because of special circumstances, written notice of the extension shall be furnished to the Claimant prior to the commencement of the extension. The notice will indicate the special circumstances requiring the extension of time and the date by which the Plan Administration Committee expects to render the determination on review. The review will take into account comments, documents, records and other information submitted by the Claimant relating to the claim without regard to whether such information was submitted or considered in the initial benefit determination.

(b) *Contents of Notice.* If a benefits claim is completely or partially denied on review, notice of such denial shall be in writing and shall set forth the reasons for denial in plain language.

The decision on review shall set forth: (i) the specific reason or reasons for the denial, (ii) specific references to the pertinent Plan provisions on which the denial is based, (iii) a statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all documents, records, or other information relevant (as defined above) to the Claimant's claim, and (iv) a statement describing any voluntary appeal procedures offered by the plan and a statement of the Claimant's right to bring an action under Section 502(a) of ERISA.

11.3 Claims Appeals Upon Change in Control . Upon a Change in Control, the Plan Administration Committee, as constituted immediately prior to such Change in Control, shall continue to act as the entity designated to hear appeals under this Article XI. Upon such Change in Control, the Company may not remove any member of the Plan Administration Committee, but may replace resigning members if 2/3rds of the members of the Board of Directors of the Company and a majority of Participants and Beneficiaries with Account Balances consent to the replacement.

The Plan Administration Committee shall have the exclusive authority at the appeals stage to interpret the terms of the Plan and resolve appeals under the Claims Procedure.

Each Participating Employer shall, with respect to the Plan Administration Committee identified under this Section: (i) pay its proportionate share of all reasonable expenses and fees of the Plan Administration Committee, (ii) indemnify the Plan Administration Committee (including individual committee members) against any costs, expenses and liabilities including, without limitation, attorneys' fees and expenses arising in connection with the performance of the Plan Administration Committee hereunder, except with respect to matters resulting from the Plan Administration Committee's gross negligence or willful misconduct, and (iii) supply full and timely information to the Plan Administration Committee on all matters related to the Plan, any rabbi trust, Participants, Beneficiaries and Accounts as the Plan Administration Committee may reasonably require.

11.4 Legal Action . A Claimant may not bring any legal action, including commencement of any arbitration, relating to a claim for benefits under the Plan unless and until the Claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

If a Participant or Beneficiary prevails in a legal proceeding brought under the Plan to enforce the rights of such Participant or any other similarly situated Participant or Beneficiary, in whole or in part, the Participating Employer shall reimburse such Participant or Beneficiary for all legal costs, expenses, attorneys' fees and such other liabilities incurred as a result of such proceedings. If the legal proceeding is brought in connection with a Change in Control, or a "change in control" as defined in a rabbi trust described in Section 10.2, the Participant or Beneficiary may file a claim directly with the trustee for reimbursement of such costs, expenses and fees. For purposes of the preceding sentence, the amount of the claim shall be treated as if it were an addition to the Participant's or Beneficiary's Account Balance and will be included in determining the Participating Employer's trust funding obligation under Section 10.2.

11.5 Committee Discretion . All interpretations, determinations and decisions of the Plan Administration Committee with respect to any claim shall be made in its sole discretion, and shall be final and conclusive. Notwithstanding anything to the contrary herein, the Compensation Committee may, at any time and from time to time, without any further action of the Plan Administration Committee, exercise the powers and duties of the Plan Administration Committee under the Plan.

11.6 Arbitration .

(a) *Prior to Change in Control.* If, prior to a Change in Control, any claim or controversy between a Participating Employer and a Participant or Beneficiary is not resolved through the claims procedure set forth in Article XI, such claim shall be submitted to and resolved exclusively by expedited binding arbitration by a single arbitrator. Arbitration shall be conducted in accordance with the following procedures:

The complaining party shall promptly send written notice to the other party identifying the matter in dispute and the proposed remedy. Following the giving of such notice, the parties shall meet and attempt in good faith to resolve the matter. In the event the parties are unable to resolve the matter within 21 days, the parties shall meet and attempt in good faith to select a single arbitrator acceptable to both parties. If a single arbitrator is not selected by mutual consent within ten Business Days following the giving of the written notice of dispute, an arbitrator shall be selected from a list of nine persons each of whom shall be an attorney who is either engaged in the active practice of law or recognized arbitrator and who, in either event, is experienced in serving as an arbitrator in disputes between employers and employees, which list shall be provided by the main office of either JAMS, the American Arbitration Association ("AAA") or the Federal Mediation and Conciliation Service. If, within three Business Days of the parties' receipt of such list, the parties are unable to agree on an arbitrator from the list, then the parties shall each strike names alternatively from the list, with the first to strike being determined by the flip of a coin. After each party has had four strikes, the remaining name on the list shall be the arbitrator. If such person is unable to serve for any reason, the parties shall repeat this process until an arbitrator is selected.

Unless the parties agree otherwise, within 60 days of the selection of the arbitrator, a hearing shall be conducted before such arbitrator at a time and a place agreed upon by the parties. In the event the parties are unable to agree upon the time or place of the arbitration, the time and place shall be designated by the arbitrator after consultation with the parties. Within 30 days of the conclusion of the arbitration hearing, the arbitrator shall issue an award, accompanied by a written decision explaining the basis for the arbitrator's award.

In any arbitration hereunder, the Participating Employer shall pay all administrative fees of the arbitration and all fees of the arbitrator, except that the Participant or Beneficiary may, if he/she/it wishes, pay up to one-half of those amounts. Each party shall pay its own attorneys' fees, costs, and expenses, unless the arbitrator orders otherwise. The prevailing party in such arbitration, as determined by the arbitrator, and in any enforcement or other court proceedings, shall be entitled, to the extent permitted by law, to reimbursement from the other party for all of the prevailing party's costs (including but not limited to the arbitrator's compensation), expenses, and attorneys' fees. The arbitrator shall have no authority to add to or to modify this Plan, shall apply all applicable law, and shall have no lesser and no greater remedial authority than would a court of law resolving the same claim or controversy. The arbitrator shall have no authority to add to or to modify this Plan, shall apply all applicable law, and shall have no lesser and no greater remedial authority than would a court of law resolving the same claim or controversy. The arbitrator shall, upon an appropriate motion, dismiss any claim without an evidentiary hearing if the party bringing the motion establishes that it would be entitled to summary judgment if the matter had been pursued in court litigation.

The parties shall be entitled to discovery as follows: Each party may take no more than three depositions. The Participating Employer may depose the Participant or Beneficiary plus two other witnesses, and the Participant or Beneficiary may depose the Participating Employer, pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, plus two other witnesses. Each party may make such reasonable document discovery requests as are allowed in the discretion of the arbitrator.

The decision of the arbitrator shall be final, binding, and non-appealable, and may be enforced as a final judgment in any court of competent jurisdiction.

This arbitration provision of the Plan shall extend to claims against any parent, subsidiary, or affiliate of each party, and, when acting within such capacity, any officer, director, shareholder, Participant, Beneficiary, or agent of any party, or of any of the above, and shall apply as well to claims arising out of state and federal statutes and local ordinances as well as to claims arising under the common law or under this Plan.

Notwithstanding the foregoing, and unless otherwise agreed between the parties, either party may apply to a court for provisional relief, including a temporary restraining order or preliminary injunction, on the ground that the arbitration award to which the applicant may be entitled may be rendered ineffectual without provisional relief.

Any arbitration hereunder shall be conducted in accordance with the Federal Arbitration Act: provided, however, that, in the event of any inconsistency between the rules and procedures of the Act and the terms of this Plan, the terms of this Plan shall prevail.

If any of the provisions of this Section 11.6(a) are determined to be unlawful or otherwise unenforceable, in the whole part, such determination shall not affect the validity of the remainder of this section and this section shall be reformed to the extent necessary to carry out its provisions to the greatest extent possible and to insure that the resolution of all conflicts between the parties, including those arising out of statutory claims, shall be resolved by neutral, binding arbitration. If a court should find that the provisions of this Section 11.6(a) are not absolutely binding, then the parties intend any arbitration decision and award to be fully admissible in evidence in any subsequent action, given great weight by any finder of fact and treated as determinative to the maximum extent permitted by law.

The parties do not agree to arbitrate any putative class action or any other representative action. The parties agree to arbitrate only the claims(s) of a single Participant or Beneficiary.

(b) *Upon Change in Control.* If, upon the occurrence of a Change in Control, any dispute, controversy or claim arises between a Participant or Beneficiary and the Participating Employer out of or relating to or concerning the provisions of the Plan, such dispute, controversy or claim shall be finally settled by a court of competent jurisdiction which, notwithstanding any other provision of the Plan, shall apply a de novo standard of review to any determination made by the Company or its Board of Directors, a Participating Employer, the Plan Administration Committee, the Plan Investment Committee, or the Compensation Committee.

Article XII

General Provisions

12.1 Assignment . No interest of any Participant, or Beneficiary under this Plan and no benefit payable hereunder shall be assigned as security for a loan, and any such purported assignment shall be null, void and of no effect, nor shall any such interest or any such benefit be subject in any manner, either voluntarily or involuntarily, through court order or otherwise, to anticipation, sale, transfer, assignment or encumbrance by or through any Participant or Beneficiary.

The Company may assign any or all of its liabilities under this Plan in connection with any restructuring, recapitalization, sale of assets or other similar transactions affecting a Participating Employer without the consent of the Participant.

12.2 No Legal or Equitable Rights or Interest . No Participant or other person shall have any legal or equitable rights or interest in this Plan that are not expressly granted in this Plan. Participation in this Plan does not give any person any right to be retained in the service of the Participating Employer. The right and power of a Participating Employer to dismiss or discharge an Employee is expressly reserved. The Participating Employers make no representations or warranties as to the tax consequences to a Participant or a Participant's beneficiaries resulting from a deferral of income pursuant to the Plan.

12.3 No Employment Contract . Nothing contained herein shall be construed to constitute a contract of employment between an Employee and a Participating Employer.

12.4 Notice . Any notice or filing required or permitted to be delivered to the Plan Administration Committee under this Plan shall be delivered in writing, in person, or through such electronic means as is established by the Plan Administration Committee. Notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification. Written transmission shall be sent by certified mail to:

ST. JUDE MEDICAL, Inc.
Attn: HR Leader, total rewards
One St. Jude Medical drive
St. Paul, Minnesota 55117

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing or hand-delivered, or sent by mail to the last known address of the Participant.

12.5 Headings . The headings of Sections are included solely for convenience of reference, and if there is any conflict between such headings and the text of this Plan, the text shall control.

12.6 Invalid or Unenforceable Provisions . If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof and the Plan Administration Committee may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid or unenforceable, had not been included.

12.7 Lost Participants or Beneficiaries . Any Participant or Beneficiary who is entitled to a benefit from the Plan has the duty to keep the Plan Administration Committee advised of his or her current mailing address. If benefit payments are returned to the Plan or are not presented for payment after a reasonable amount of time, the Plan Administration Committee shall presume that the payee is missing. The Plan Administration Committee, after making such efforts as in its discretion it deems reasonable and appropriate to locate the payee, shall stop payment on any uncashed checks and may discontinue making future payments until contact with the payee is restored.

12.8 Facility of Payment to a Minor . If a distribution is to be made to a minor, or to a person who is otherwise incompetent, then the Plan Administration Committee may, in its discretion, make such distribution: (i) to the legal guardian, or if none, to a parent of a minor payee with whom the payee

maintains his or her residence, or (ii) to the conservator or guardian or, if none, to the person having custody of an incompetent payee. Any such distribution shall fully discharge the Plan Administration Committee, the Compensation Committee, the Company, and the Plan from further liability on account thereof.

12.9 Governing Law and Venue . To the extent not preempted by ERISA, the laws of the State of Minnesota shall govern the construction and administration of the Plan. All litigation in any way related to the Plan (including but not limited to any and all claims for benefits) must be filed in the United States District Court for the District of Minnesota.

IN WITNESS WHEREOF, the undersigned executed this Plan as of the _____ day of _____, 2015, to be effective as of the Effective Date.

St. Jude Medical, Inc.

By: _____ (Print Name)

Its: _____ (Title)

_____ (Signature)

EXHIBIT 10.27

AMENDMENT NO. 1 TO TERM LOAN AGREEMENT

This Amendment No. 1 to Term Loan Agreement (this " Amendment ") dated as of February 19, 2016 is made by and among **ST. JUDE MEDICAL, INC.** , a Minnesota corporation (the " Borrower "), each lender party hereto (collectively, the " Lenders " and individually, a " Lender "), and **BANK OF AMERICA, N.A.** , as Administrative Agent and a Lender (in such capacity, the " Administrative Agent "). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS , the Borrower, the Lenders and the Administrative Agent entered into that certain Term Loan Agreement dated as of August 21, 2015 (as so amended, as hereby amended, and as from time to time hereafter further amended, modified, supplemented, restated, or amended and restated, the " Credit Agreement ") by and among the Borrower, the Lenders, and the Administrative Agent; and

WHEREAS , the Borrower has advised the Administrative Agent and the Lenders that it desires to amend certain provisions of the Credit Agreement, including without limitation the definition of "Consolidated EBITDA" and Exhibit C (*Form of Compliance Certificate*) to account for the Specified Acquisition, and the Administrative Agent and the Lenders have agreed to so amend the Credit Agreement and Exhibit C on the terms and conditions set forth herein;

NOW, THEREFORE , in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1 . Amendments to Credit Agreement . Subject to the terms and conditions set forth herein, as of the date hereof, the Credit Agreement is hereby amended as follows:

(a) The definition of "Consolidated EBITDA" in Section 1.01 of the Credit Agreement is hereby amended by restating such definition in its entirety to read as follows:

"" Consolidated EBITDA " means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges for such period, (ii) the provision for federal, state, local and foreign income taxes payable by the Borrower and its Subsidiaries for such period, (iii) the amount of depreciation and amortization expense deducted in determining such Consolidated Net Income, (iv) other expenses of the Borrower and its Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period, (v) special cash charges incurred in connection with the Specified Acquisition not to exceed, in the aggregate for all periods, $175,000,000, and (vi) in connection with the Specified Acquisition, for the period of the four fiscal quarters of the Borrower ended January 2, 2016, April 2, 2016, July 2, 2016 and October 1, 2016, consolidated EBITDA of Thoratec Corporation not otherwise included in the Consolidated EBITDA of the Borrower (which consolidated EBITDA shall be calculated in a manner substantially similar to the calculation of Consolidated EBITDA of the Borrower as provided for herein, with a cap for special cash charges not to exceed $35,000,000 in the aggregate), and minus (b) all non-cash items increasing Consolidated Net Income for such period."

(b) The definition of "Defaulting Lender" in Section 1.01 of the Credit Agreement is hereby amended by restating such definition in its entirety to read as follows:

"" Defaulting Lender " means, subject to Section 2.15(b) , any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within two Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) became the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.15(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower and all Lenders promptly following such determination."

(c) Section 1.01 of the Credit Agreement is hereby further amended by adding the following defined terms to Section 1.01 , each in alphabetical order.

"" Bail-In Action " means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the

European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" EEA Financial Institution " means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

" EEA Member Country " means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

" EEA Resolution Authority " means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

" EU Bail-In Legislation Schedule " means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule."

(d) Article V of the Credit Agreement is hereby amended by adding a new Section 5.23 to read in its entirety as follows:

" **5.23 Not an EEA Financial Institution** . The Borrower is not an EEA Financial Institution."

(e) Article X of the Credit Agreement is hereby amended by adding a new Section 10.20 to read in its entirety as follows:

" **10.20 Acknowledgement and Consent to Bail-In of EEA Financial Institutions** . Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that

such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(f) Exhibit C (*Form of Compliance Certificate*) is hereby amended by restating such Exhibit in its entirety to read as the Form of Compliance Certificate attached are Exhibit C hereto.

Section 2 . Effectiveness; Conditions Precedent . The effectiveness of this Amendment and the amendments to the Credit Agreement and Exhibit C to the Credit Agreement herein provided are subject to the satisfaction of the conditions precedent:

(a) The Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, the Administrative Agent, and the Required Lenders, which counterparts may be delivered by telefacsimile or other electronic means (including .pdf), but such delivery will be promptly followed by the delivery of original signature pages by each Person party hereto.

(b) All fees and expenses payable to the Administrative Agent and the Lenders (including the fees and expenses of counsel to the Administrative Agent to the extent due and payable under Section 10.04(a) of the Credit Agreement) estimated to date and for which invoices have been presented a reasonable period of time prior to the effectiveness hereof shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

Section 3 . Representations and Warranties . In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by the Borrower in Article V of the Credit Agreement are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date;

(b) This Amendment has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally; and

(c) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

Section 4 . Entire Agreement . This Amendment, together with the Credit Agreement (collectively, the " Relevant Documents "), sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other.

Section 5. Full Force and Effect of Credit Agreement. Except as hereby specifically amended, modified or supplemented, the Credit Agreement is hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

Section 6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telefacsimile transmission or other electronic means (including .pdf) shall be effective as delivery of an original counterpart of this Amendment.

Section 7. Governing Law. This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Sections 10.15 and 10.16 of the Credit Agreement.

Section 8. Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

Section 9. References. All references in any of the Loan Documents to the "Credit Agreement" or in the Credit Agreement to "this Agreement" shall mean the Credit Agreement as amended hereby.

Section 10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Lenders and the Administrative Agent, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in the Credit Agreement.

Section 11. No Novation. Neither the execution and delivery of this Amendment nor the consummation of any other transaction contemplated hereunder is intended to constitute a novation of the Credit Agreement or of any of the other Loan Documents or any obligations thereunder.

Section 12. FATCA. For purposes of determining withholding taxes imposed under the Foreign Account Tax Compliance Act (FATCA), from and after the effective date of this Amendment, the Borrower and the Lenders shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

ST. JUDE MEDICAL, INC., as Borrower

By: /s/ Don Zurbay

Name: Don Zurbay

Title: V.P. Finance, Chief Financial Officer

BANK OF AMERICA, N.A. , as Administrative Agent

By: /s/ Kevin L. Ahart

Name: Kevin L. Ahart

Title: Vice President

BANK OF AMERICA, N.A. , as a Lender

By: /s/ Yinghua Zhang

Name: Yinghua Zhang

Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender

By: /s/ Andrea S Chen
Name: Andrea S Chen
Title: Director

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. , as a Lender

By: /s/ Scott O'Connell
Name: Scott O'Connell
Title: Director

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Andrew Beckman
Name: Andrew Beckman
Title: Vice President

MIZUHO BANK, LTD. , as a Lender

By: /s/ Bertram Tang
Name: Bertram Tang
Title: Authorized Signatory

TD BANK, N.A. , as a Lender

By: /s/ Shreya Shah

Name: Shreya Shah
Title: Senior Vice President

BNP PARIBAS , as a Lender

By: /s/ Michael Pearce
Name: Michael Pearce
Title: Managing Director

By: /s/ Michael Hoffman
Name: Michael Hoffman
Title: Vice President

SUMITOMO MITSUI BANKING CORPORATION , as a Lender

By: /s/ David W. Kee
Name: David W. Kee
Title: Managing Director
SVENSKA HANDELSBANKEN AB (PUBL) NEW YORK BRANCH , as a Lender

By: /s/ Mark Emmett
Name: Mark Emmett
Title: Vice President

By: /s/ Mark Cleary
Name: Mark Cleary
Title: Senior Vice President

SUNTRUST BANK , as a Lender

By: /s/ Jared Cohen
Name: Jared Cohen
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION , as a Lender

By: /s/ Deborah M. Lee
Name: Deborah M. Lee
Title: Vice President

FIFTH THIRD BANK , as a Lender

By: /s/ Joshua N. Livingston
Name: Joshua N. Livingston
Title: Duly Authorized Signatory

KBC BANK N.V. , as a Lender

By: /s/ Larry Manochio
Name: Larry Manochio
Title: Director

By: /s/ Susan M. Silver
Name: Susan M. Silver
Title: Managing Director
THE NORTHERN TRUST COMPANY , as a Lender

By: /s/ Molly Drennan
Name: Molly Drennan
Title: Senior Vice President
UNICREDIT BANK AG, NEW YORK BRANCH , as a Lender

By: /s/ Kimberly Sousa
Name: Kimberly Sousa
Title: Director

By: /s/ Bryon Korutz
Name: Bryon Korutz
Title: Associate Director

EXHIBIT C

FORM OF
COMPLIANCE CERTIFICATE

Financial Statement Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Term Loan Agreement, dated as of August 21, 2015 (as further amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement "; the terms defined therein being used herein as therein defined), among St. Jude Medical, Inc., a Minnesota corporation (the " Borrower "), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, during such fiscal period the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in Article V of the Agreement, but excluding the representation and warranty as to no Material Adverse Effect contained in Section 5.11(b) of the Agreement, or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsection (a) of Section 5.11 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) , respectively, of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF , the undersigned has executed this Certificate as of _____, _____.

ST. JUDE MEDICAL, INC.

By:
Name:
Title:

For the Quarter/Year ended _____ (" Statement Date ")

SCHEDULE 2
to the Compliance Certificate

($ in 000's)

I. Section 7.13 - Consolidated Leverage Ratio.

A. Consolidated EBITDA for four consecutive fiscal quarters ending on above date (" Subject Period "):

1. Consolidated Net Income for Subject Period:	$ _____
2. Consolidated Interest Charges for Subject Period:	$ _____
3. Provision for income taxes for Subject Period:	$ _____
4. Depreciation expenses for Subject Period:	$ _____
5. Amortization expenses for intangibles for Subject Period:	$ _____
6. Non-cash expenses reducing Consolidated Net Income for Subject Period:	$ _____
7. Special cash charges incurred in connection with the Specified Acquisition during Subject Period (not to exceed, in the aggregate for all periods, $175,000,000):	$ _____
8. For the Statement Dates as of January 2, 2016, April 2, 2016, July 2, 2016 and October 1, 2016, consolidated EBITDA of Thoratec Corporation for such Subject Period [1]:	$ _____
9. Non-cash items increasing Consolidated Net Income for Subject Period:	$ _____
10. Consolidated EBITDA (Lines I.A.1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 - 9):	$ _____
B. Consolidated Funded Indebtedness at Statement Date	$ _____
C. Consolidated Leverage Ratio (Line I.B. ÷ Line I.A):	____ to 1.00
Maximum permitted:	____ to 1.00 [2]

[1] Add-backs for consolidated EBITDA of Thoratec Corporation are as follows: (i) for the period of four consecutive fiscal quarters (the " Measurement Period ") ended January 2, 2016, $95,006,000; for the Measurement Period ended April 2, 2016, $62,978,000; (iii) for the Measurement Period ended July 2, 2016, $30,288,000; and (iv) for the Measurement Period ended October 1, 2016, $(306,000).

[2] Maximum permitted Consolidated Leverage Ratio (on or after the Closing Date) of (i) 4.25 to 1.00 from the Closing Date until and including the fiscal quarter of the Borrower ending December 31, 2015; (ii) 4.00 to 1.00 for the next four consecutive fiscal quarters of the Borrower; and (iii) 3.50 to 1.00 during any period of four fiscal quarters of the Borrower thereafter.

EXHIBIT 10.29

AMENDMENT NO. 1 TO
AMENDED AND RESTATED MULTI-YEAR $1,500,000,000 CREDIT AGREEMENT

This Amendment No. 1 to Amended and Restated Multi-Year $1,500,000,000 Credit Agreement (this " Amendment ") dated as of February 19, 2016 is made by and among **ST. JUDE MEDICAL, INC.** , a Minnesota corporation (the " Borrower "), each lender party hereto (collectively, the " Lenders " and individually, a " Lender "), and **BANK OF AMERICA, N.A.** , as Administrative Agent, a Lender and a L/C Issuer (in such capacity, the " Administrative Agent "). Capitalized terms used herein and not defined herein shall have the meanings assigned to such terms in the Credit Agreement (as defined below).

W I T N E S S E T H:

WHEREAS , the Borrower, the Lenders and the Administrative Agent entered into that certain Amended and Restated Multi-Year $1,500,000,000 Credit Agreement dated as of August 21, 2015 (as so amended, as hereby amended, and as from time to time hereafter further amended, modified, supplemented, restated, or amended and restated, the " Credit Agreement ") by and among the Borrower, the Lenders, and the Administrative Agent; and

WHEREAS , the Borrower has advised the Administrative Agent and the Lenders that it desires to amend certain provisions of the Credit Agreement, including without limitation the definition of "Consolidated EBITDA" and Exhibit C (*Form of Compliance Certificate*) to account for the Specified Acquisition, and the Administrative Agent and the Lenders have agreed to so amend the Credit Agreement and Exhibit C on the terms and conditions set forth herein;

NOW, THEREFORE , in consideration of the premises and further valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1 . Amendments to Credit Agreement . Subject to the terms and conditions set forth herein, as of the date hereof, the Credit Agreement is hereby amended as follows:

(a) The definition of "Consolidated EBITDA" in Section 1.01 of the Credit Agreement is hereby amended by restating such definition in its entirety to read as follows:

"" Consolidated EBITDA " means, for any period, for the Borrower and its Subsidiaries on a consolidated basis, an amount equal to Consolidated Net Income for such period plus (a) the following to the extent deducted in calculating such Consolidated Net Income: (i) Consolidated Interest Charges for such period, (ii) the provision for federal, state, local and foreign income taxes payable by the Borrower and its Subsidiaries for such period, (iii) the amount of depreciation and amortization expense deducted in determining such Consolidated Net Income, (iv) other expenses of the Borrower and its Subsidiaries reducing such Consolidated Net Income which do not represent a cash item in such period or any future period, (v) special cash charges incurred in connection with the Specified Acquisition not to exceed, in the aggregate for all periods, $175,000,000, and (vi) in connection with the Specified Acquisition, for the period of the four fiscal quarters of the Borrower ended January 2, 2016, April 2, 2016, July 2, 2016 and October 1, 2016, consolidated EBITDA of Thoratec Corporation not otherwise included in the Consolidated EBITDA of the Borrower (which consolidated EBITDA shall be calculated in a manner substantially similar to the calculation of Consolidated EBITDA of

the Borrower as provided for herein, with a cap for special cash charges not to exceed $35,000,000 in the aggregate), and minus (b) all non-cash items increasing Consolidated Net Income for such period."

(b) The definition of "Defaulting Lender" in Section 1.01 of the Credit Agreement is hereby amended by restating such definition in its entirety to read as follows:

"" Defaulting Lender " means, subject to Section 2.15(b) , any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender's determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, the applicable L/C Issuer or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit) within two Business Days of the date when due, (b) has notified the Borrower, the Administrative Agent or any L/C Issuer in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender's obligation to fund a Loan hereunder and states that such position is based on such Lender's determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) became the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under any one or more of clauses (a) through (d) above, and of the effective date of such status, shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.15(b)) as of the date established therefor by the Administrative Agent in a written notice of such determination, which shall be delivered by the Administrative Agent to the Borrower, each L/C Issuer and all Lenders promptly following such determination."

(c) Section 1.01 of the Credit Agreement is hereby further amended by adding the following defined terms to Section 1.01 , each in alphabetical order.

"" Bail-In Action " means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

" Bail-In Legislation " means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

" EEA Financial Institution " means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

" EEA Member Country " means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

" EEA Resolution Authority " means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

" EU Bail-In Legislation Schedule " means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

" Write-Down and Conversion Powers " means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule."

(d) Article V of the Credit Agreement is hereby amended by adding a new Section 5.23 to read in its entirety as follows:

" **5.23 Not an EEA Financial Institution** . The Borrower is not an EEA Financial Institution."

(e) Article X of the Credit Agreement is hereby amended by adding a new Section 10.21 to read in its entirety as follows:

" **10.21 Acknowledgement and Consent to Bail-In of EEA Financial Institutions** . Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority."

(f) Exhibit C (*Form of Compliance Certificate*) is hereby amended by restating such Exhibit in its entirety to read as the Form of Compliance Certificate attached are Exhibit C hereto.

Section 2 . Effectiveness; Conditions Precedent . The effectiveness of this Amendment and the amendments to the Credit Agreement and Exhibit C to the Credit Agreement herein provided are subject to the satisfaction of the conditions precedent:

(a) The Administrative Agent shall have received counterparts of this Amendment, duly executed by the Borrower, the Administrative Agent, and the Required Lenders, which counterparts may be delivered by telefacsimile or other electronic means (including .pdf), but such delivery will be promptly followed by the delivery of original signature pages by each Person party hereto.

(b) All fees and expenses payable to the Administrative Agent and the Lenders (including the fees and expenses of counsel to the Administrative Agent to the extent due and payable under Section 10.04(a) of the Credit Agreement) estimated to date and for which invoices have been presented a reasonable period of time prior to the effectiveness hereof shall have been paid in full (without prejudice to final settling of accounts for such fees and expenses).

Section 3 . Representations and Warranties . In order to induce the Administrative Agent and the Lenders to enter into this Amendment, the Borrower represents and warrants to the Administrative Agent and the Lenders as follows:

(a) The representations and warranties made by the Borrower in Article V of the Credit Agreement are true and correct in all material respects on and as of the date hereof, except to the extent that such representations and warranties expressly relate to an earlier date;

(b) This Amendment has been duly authorized, executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, except as may be limited by general principles of equity or by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally; and

(c) After giving effect to this Amendment, no Default or Event of Default has occurred and is continuing.

Section 4 . Entire Agreement . This Amendment, together with the Credit Agreement (collectively, the " Relevant Documents "), sets forth the entire understanding and agreement of the parties hereto in relation

to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relating to such subject matter. No promise, condition, representation or warranty, express or implied, not set forth in the Relevant Documents shall bind any party hereto, and no such party has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as otherwise expressly stated in the Relevant Documents, no representations, warranties or commitments, express or implied, have been made by any party to the other.

Section 5. Full Force and Effect of Credit Agreement. Except as hereby specifically amended, modified or supplemented, the Credit Agreement is hereby confirmed and ratified in all respects and shall be and remain in full force and effect according to their respective terms.

Section 6. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by telefacsimile transmission or other electronic means (including .pdf) shall be effective as delivery of an original counterpart of this Amendment.

Section 7. Governing Law. This Amendment shall in all respects be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed and to be performed entirely within such State, and shall be further subject to the provisions of Sections 10.15 and 10.16 of the Credit Agreement.

Section 8. Enforceability. Should any one or more of the provisions of this Amendment be determined to be illegal or unenforceable as to one or more of the parties hereto, all other provisions nevertheless shall remain effective and binding on the parties hereto.

Section 9. References. All references in any of the Loan Documents to the "Credit Agreement" or in the Credit Agreement to "this Agreement" shall mean the Credit Agreement as amended hereby.

Section 10. Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of the Borrower, the Lenders and the Administrative Agent, and their respective successors, legal representatives, and assignees to the extent such assignees are permitted assignees as provided in the Credit Agreement.

Section 11. No Novation. Neither the execution and delivery of this Amendment nor the consummation of any other transaction contemplated hereunder is intended to constitute a novation of the Credit Agreement or of any of the other Loan Documents or any obligations thereunder.

Section 12. FATCA. For purposes of determining withholding taxes imposed under the Foreign Account Tax Compliance Act (FATCA), from and after the effective date of this Amendment, the Borrower and the Lenders shall treat (and the Lenders hereby authorize the Administrative Agent to treat) the Loans as not qualifying as a "grandfathered obligation" within the meaning of Treasury Regulation Section 1.1471-2(b)(2)(i).

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

ST. JUDE MEDICAL, INC. , as Borrower

By: /s/ Don Zurbay

Name: Don Zurbay

Title: V.P. Finance, Chief Financial Officer

BANK OF AMERICA, N.A. , as Administrative Agent

By: /s/ Kevin L. Ahart

Name: Kevin L. Ahart

Title: Vice President

BANK OF AMERICA, N.A. , as a Lender and as a L/C Issuer

By: /s/ Yinghua Zhang

Name: Yinghua Zhang

Title: Director

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and as a L/C Issuer

By: /s/ Andrea S Chen
Name: Andrea S Chen
Title: Director

THE BANK OF TOKYO-MITSUBISHI UFJ, LTD. , as a Lender and as a L/C Issuer

By: /s/ Scott O'Connell
Name: Scott O'Connell
Title: Director

U.S. BANK NATIONAL ASSOCIATION, as a Lender and as a L/C Issuer

By: /s/ Andrew Beckman
Name: Andrew Beckman
Title: Vice President

MIZUHO BANK, LTD. , as a Lender

By: /s/ Bertram Tang
Name: Bertram Tang
Title: Authorized Signatory

SVENSKA HANDELSBANKEN AB (PUBL), NEW YORK BRANCH

By: /s/ Mark Emmett
Name: Mark Emmett
Title: Vice President

By: /s/ Mark Cleary
Name: Mark Cleary
Title: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION

By: /s/ David W. Kee
Name: David W. Kee
Title: Managing Director

TD BANK, N.A.

By: /s/ Shreya Shah
Name: Shreya Shah
Title: Senior Vice President

BNP PARIBAS

By: /s/ Michael Pearce
Name: Michael Pearce
Title: Managing Director

By: /s/ Michael Hoffman
Name: Michael Hoffman
Title: Vice President

JPMORGAN CHASE BANK, N.A.

By: /s/ Krys Szremski
Name: Krys Szremski
Title: Executive Director

SUNTRUST BANK

By: /s/ Jared Cohen
Name: Jared Cohen
Title: Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Deborah M. Lee
Name: Deborah M. Lee
Title: Vice President

FIFTH THIRD BANK

By: /s/ Joshua N. Livingston
Name: Joshua N. Livingston
Title: Duly Authorized Signatory

KBC BANK N.V.

By: /s/ Larry Manochio
Name: Larry Manochio
Title: Director

By: /s/ Susan M. Silver
Name: Susan M. Silver
Title: Managing Director

THE NORTHERN TRUST COMPANY

By: /s/ Molly Drennan
Name: Molly Drennan
Title: Senior Vice President

UNICREDIT BANK AG, NEW YORK BRANCH

By: /s/ Kimberly Sousa
Name: Kimberly Sousa
Title: Director

By: /s/ Bryon Korutz
Name: Bryon Korutz
Title: Associate Director

EXHIBIT C

FORM OF
COMPLIANCE CERTIFICATE

Financial Statement Date: _____, _____

To: Bank of America, N.A., as Administrative Agent

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Multi-Year $1,500,000,000 Credit Agreement, dated as of August 21, 2015 (as further amended, restated, extended, supplemented or otherwise modified in writing from time to time, the " Agreement "; the terms defined therein being used herein as therein defined), among St. Jude Medical, Inc., a Minnesota corporation (the " Borrower "), the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent and a L/C Issuer.

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the _____ of the Borrower, and that, as such, he/she is authorized to execute and deliver this Certificate to the Administrative Agent on the behalf of the Borrower, and that:

*[Use following paragraph 1 for fiscal **year-end** financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.01(a) of the Agreement for the fiscal year of the Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal **quarter-end** financial statements]*

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.01(b) of the Agreement for the fiscal quarter of the Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and cash flows of the Borrower and its Subsidiaries in accordance with GAAP as at such date and for such period, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a detailed review of the transactions and condition (financial or otherwise) of the Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Borrower performed and observed all its Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, the Borrower performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default has occurred and is continuing.]

--or--

[to the best knowledge of the undersigned, during such fiscal period the following covenants or conditions have not been performed or observed and the following is a list of each such Default and its nature and status:]

4. The representations and warranties of the Borrower contained in Article V of the Agreement, but excluding the representation and warranty as to no Material Adverse Effect contained in Section 5.11(b) of the Agreement, or any other Loan Document, or which are contained in any document furnished at any time under or in connection herewith or therewith, are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Compliance Certificate, the representations and warranties contained in subsection (a) of Section 5.11 shall be deemed to refer to the most recent statements furnished pursuant to clauses (a) and (b) , respectively, of Section 6.01 of the Agreement, including the statements in connection with which this Compliance Certificate is delivered.

5. The financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

IN WITNESS WHEREOF , the undersigned has executed this Certificate as of _____, _____.

ST. JUDE MEDICAL, INC.

By:
Name:
Title:

For the Quarter/Year ended _____ (" Statement Date ")

SCHEDULE 2
to the Compliance Certificate

($ in 000's)

I. Section 7.13 - Consolidated Leverage Ratio.

A. Consolidated EBITDA for four consecutive fiscal quarters ending on above date (" Subject Period "):

1. Consolidated Net Income for Subject Period:	$ _____
2. Consolidated Interest Charges for Subject Period:	$ _____
3. Provision for income taxes for Subject Period:	$ _____
4. Depreciation expenses for Subject Period:	$ _____
5. Amortization expenses for intangibles for Subject Period:	$ _____
6. Non-cash expenses reducing Consolidated Net Income for Subject Period:	$ _____
7. Special cash charges incurred in connection with the Specified Acquisition during Subject Period (not to exceed, in the aggregate for all periods, $175,000,000):	$ _____
8. For the Statement Dates as of January 2, 2016, April 2, 2016, July 2, 2016 and October 1, 2016, consolidated EBITDA of Thoratec Corporation for such Subject Period [1]:	$ _____
9. Non-cash items increasing Consolidated Net Income for Subject Period:	$ _____
10. Consolidated EBITDA (Lines I.A.1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 - 9):	$ _____
B. Consolidated Funded Indebtedness at Statement Date [2]	$ _____
C. Consolidated Leverage Ratio (Line I.B. ÷ Line I.A):	____ to 1.00
Maximum permitted:	____ to 1.00 [3]

[1] Add-backs for consolidated EBITDA of Thoratec Corporation are as follows: (i) for the period of four consecutive fiscal quarters (the " Measurement Period ") ended January 2, 2016, $95,006,000; for the Measurement Period ended April 2, 2016, $62,978,000; (iii) for the Measurement Period ended July 2, 2016, $30,288,000; and (iv) for the Measurement Period ended October 1, 2016, $(306,000).

[2] Until the earlier of (i) the Specified Acquisition Closing Date and (ii) termination of the agreement and plan of merger related to the Specified Acquisition, Consolidated Funded Indebtedness shall not include any Indebtedness of the Borrower to the extent that (x) it was incurred solely to finance the Specified Acquisition (and any related transactions) and (y) is redeemable or prepayable at no more than 101% of the principal amount thereof (plus accrued interest) in the event that the Specified Acquisition is not consummated.

[3] Maximum permitted Consolidated Leverage Ratio of (i) if the Specified Acquisition has occurred, (x) 4.25 to 1.00 from the Specified Acquisition Closing Date until and including the fiscal quarter of the Borrower ending December 31, 2015; (y) 4.00 to 1.00 for the next four consecutive fiscal quarters of the Borrower; and (z) 3.50 to 1.00 during any period of four fiscal quarters of the Borrower thereafter, and (ii) if the Specified Acquisition has not occur, 3.50 to 1.00 during any period of four fiscal quarters of the Borrower.

EXHIBIT 12

ST. JUDE MEDICAL, INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(amounts in millions of dollars)

	FISCAL YEAR				
	2015	**2014**	**2013**	**2012**	**2011**
EARNINGS					
Earnings before noncontrolling interest and income taxes	$ 928	$ 1,068	$ 784	$ 1,005	$ 1,019
Plus fixed charges:					
Interest expense (1)	103	85	81	73	70
Rent interest factor (2)	15	17	12	15	15
TOTAL FIXED CHARGES	118	102	93	88	85
EARNINGS BEFORE NONCONTROLLING INTEREST, INCOME TAXES AND FIXED CHARGES	$ 1,046	$ 1,170	$ 877	$ 1,093	$ 1,104
RATIO OF EARNINGS TO FIXED CHARGES	8.9	11.5	9.4	12.4	13.0

(1) Interest expense consists of interest on indebtedness and amortization of debt issuance costs but excludes interest on liabilities for uncertain tax positions.
(2) Approximately one-third of rental expense is deemed representative of the interest factor.

EXHIBIT 21

ST. JUDE MEDICAL, INC.
SUBSIDIARIES OF THE REGISTRANT
as of January 2, 2016

St. Jude Medical, Inc. Wholly Owned Subsidiaries:

- Pacesetter, Inc. - Sylmar, California; Scottsdale, Arizona; and Maven, South Carolina (Delaware corporation) (dba St. Jude Medical Cardiac Rhythm Management Division)
  - California Property Holdings III Trust
    - California Property Holdings III LLC
- St. Jude Medical S.C., Inc. - Austin, Texas (Minnesota corporation)
- St. Jude Medical Europe, Inc. - St. Paul, Minnesota (Delaware corporation)
- St. Jude Medical Canada, Inc. - Mississauga, Ontario (Ontario, Canada corporation)
- St. Jude Medical (Shanghai) Co., Ltd. - Shanghai, China (Chinese corporation)
  - Beijing, Shanghai and Guangzhou representative offices
- St. Jude Medical Australia Pty., Ltd. - Sydney, Australia (Australian corporation) (27.214% (583,251 shares) held by St. Jude Medical, Inc. and 66.69% (1,381,000 shares) held by St. Jude Medical Asia Pacific Holdings GK) and 8.37% (179,373 shares) held by St. Jude Medical International Holdings S. a r.l
- St. Jude Medical Brasil, Ltda. - Sao Paulo and Belo Horizonte, Brazil (Brazilian corporation)
- St. Jude Medical, Atrial Fibrillation Division, Inc. (Formerly St. Jude Medical, Daig Division, Inc.) - Minnesota and California (Minnesota corporation)
  - Endocardial Solutions NV/SA (Belgian corporation)
- St. Jude Medical Colombia, Ltda. - Bogota, Colombia (Colombian corporation)
- CardioMEMS, LLC.. - (Delaware limited liability company) (merged with Eagle merger corp)
- St. Jude Medical ATG, Inc. - Maple Grove, Minnesota (Minnesota corporation) (Shell)
- Irvine Biomedical, Inc. - Irvine, California (California corporation)
- St. Jude Medical, Cardiology Division, Inc. (Formerly Velocimed, Inc.) - Minnesota (Delaware corporation) (dba St. Jude Medical Cardiovascular Division)
  - LightLab Imaging, Inc. - Westford, Massachusetts (Delaware corporation)
  - Sealing Solutions, Inc. - Plymouth, Minnesota (Georgia corporation)
- SJ Medical Mexico, S. de R.L. de C.V. - (Mexican corporation)
- St. Jude Medical Argentina S.A. - Buenos Aires, Argentina (Argentinean corporation)
- Advanced Neuromodulation Systems, Inc. - Plano, Texas (Texas corporation) (dba St. Jude Medical Neuromodulation Division)
  - Hi-Tronics Designs, Inc. - Budd Lake, New Jersey (New Jersey corporation)
- AGA Medical Holdings, Inc. - Plymouth, Minnesota (Delaware corporation)
  - AGA Medical Corporation - Plymouth, Minnesota (Minnesota corporation)

  AGA Medical Belgium SPRL (Belgian corporation)Sphinx Subsidiary Corporation (Delaware corporation)RF Medical Holdings LLC (Delaware limited liability company)
  - NeuroTherm LLC (Delaware limited liability company)
    - Flivopress BV (Dutch corporation) (Wholly owned subsidiary of NeuroTherm LLC)
    - RDG Medical Holdings, Ltd. (UK corporation) (Wholly owned subsidiary of NeuroTherm LLC)
- St. Jude Medical Business Services Inc. (Delaware corporation)
- Spinal Modulation, LLC (Delaware corporation)
- SJM Thunder Holding Company (Delaware corporation)
  - Thoratec LLC (Delaware corporation)
    - APK Advanced Medical Technologies (Georgia corporation)
    - Continuum Services, Inc. (Delaware corporation)
    - Thoratec Delaware LLC (Delaware corporation)
- SJM International, Inc. - St. Paul, Minnesota (Delaware corporation)
  - St. Jude Medical Mexico Business Services, S.de R.L. de C.V. (Mexico Corporation)
  - St. Jude Medical Luxembourg Holdings TC S.a.r.l. (Luxembourg corporation) (1.21% owned by SJM Thunder Holding Company, 98.8% owned by SJM International, Inc.)
    - TC1 LLC
      - Thoratec Europe Limited (UK corporation)
        - Thoratec Switzerland GmbH (Switzerland corporation)

        - Apica Cardiovascular Limited (Ireland corporation)
    - St. Jude Medical International Holding S.a r.l. (Luxembourg corporation)

St. Jude Medical International Holding S.a.r.l. Wholly Owned Legal Entities (Directly and Indirectly):

- U.S. Branch of St. Jude Medical International Holding S.à r.l.
- St. Jude Medical Luxembourg Holding II S.à r.l. (Luxembourg Corporation)
- St. Jude Medical Luxembourg Holding NT S.à r.l. (Luxembourg Corporation)
- St. Jude Medical Luxembourg Holding SMI S.à r.l. (Luxembourg Corporation)
    - SJM SMI US Two LLC
        - SJM SMI US LLC
            - Spinal Modulation International LLC
            - Spinal Modulation Pty Ltd
            - Spinal Modulation Belgium NV
- St. Jude Medical Sweden AB (Swedish corporation)
- St. Jude Medical Danmark A/S (Danish corporation)
- St. Jude Medical (Portugal) - DistribuiMed de Produtos MModuto, Lda. (Portuguese corporation)
- St. Jude Medical Export Ges.m.b.H. (Austrian corporation)
- St. Jude Medical Medizintechnik Ges.m.b.H. (Austrian corporation)
- St. Jude Medical Italia S.p.A. (Italian corporation)
- St. Jude Medical Belgium (Belgian corporation)
- St. Jude Medical Espana S.A. (Spanish corporation)
- St. Jude Medical France S.A.S. (French corporation)
- St. Jude Medical Finland O/y (Finnish corporation)
- St. Jude Medical Sp.zo.o. (Polish corporation)
- St. Jude Medical GmbH (German corporation)
- St. Jude Medical Kft (Hungarian corporation)
- St. Jude Medical UK Limited (United Kingdom corporation)
    - NeuroTherm Ltd. (United Kingdom corporation)
- St. Jude Medical (Schweiz) AG (Swiss corporation)
- UAB “St. Jude Medical Baltic” (Lithuanian corporation)
- St. Jude Medical Norway AS (Norwegian corporation)
- MediGuide, LLC (Delaware limited liability company)
    - MediGuide Ltd. (Israeli corporation)
- St. Jude Medical Nederland B.V. (Netherlands corporation)
    - NeuroTherm BV (Netherlands corporation) (wholly owned subsidiary of St. Jude Medical Nederland B.V.)
- St. Jude Medical Puerto Rico LLC (Puerto Rican corporation)
- St. Jude Medical GVA S.a r. l. (Switzerland corporation) (formerly Endosense S.A.)
- SJM Coordination Center BVBA (Belgian corporation)
    - Cardio Life Research S.A. (Belgian corporation)
    - St. Jude Medical Balkan d.o.o. (Serbian corporation)
    - St. Jude Medical Estonia OÜ (Estonian corporation)
    - SJM Hellas Limited Liability Trading Company (Greece corporation)
    - Beirut Lebanon Branch
- St. Jude Medical Operations (Malaysia) Sdn. Bhd. (Malaysian corporation)
- St. Jude Medical Costa Rica Limitada (Costa Rica corporation)
- St. Jude Medical Cardiovascular Ireland Limited (Ireland corporation)
- St. Jude Medical Turkey Medikal Urunler Ticaret Limited Sirketi
- St. Jude Medical Luxembourg S.a r.l. (Luxembourg corporation)
    - US Branch of St. Jude Medical Luxembourg S.a.r.l.
        - St. Jude Medical Holdings B.V. (Netherlands corporation) (wholly owned subsidiary of St. Jude Medical Luxembourg S.à r.l.)
            - St. Jude Medical India Private Limited (Indian corporation) (wholly owned subsidiary of St. Jude Medical Holdings B.V.)
            - St. Jude Medical New Zealand Limited (New Zealand corporation) (wholly owned subsidiary of St. Jude Medical Holdings B.V.)
            - St. Jude Medical Asia Pacific Holdings GK (Japanese corporation) (wholly owned subsidiary of St. Jude Medical Holdings B.V.)

- St. Jude Medical Japan Co., Ltd. (Japanese corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical (Singapore) Pte. Ltd. (Singaporean corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical (Malaysia) Sdn Bhd (Malaysian corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical Taiwan Co. (Taiwan corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical Korea YH (Korean corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical (Hong Kong) Limited (Hong Kong corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)
- St. Jude Medical (Thailand) Co., Ltd. - Bangkok, Thailand (Thai corporation) (wholly owned subsidiary of St. Jude Medical Asia Pacific Holdings GK)

- St. Jude Medical AB (Swedish corporation) (Wholly owned subsidiary of St. Jude Medical Holdings BV)
  - St. Jude Medical Systems AB (formerly Radi Medical Systems AB) (Swedish corporation)
    - Radi Medical Systems Pte., Ltd. (Singapore corporation)

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-187405) and Form S-8 (Nos. 333-42945, 333-42668, 333-96697, 333-127381, 333-130180, 333-136398, 333-143090, 333-149440, 333-150839, 333-176200, 333-183158, 333-183159 and 333-207341) of our reports dated February 23, 2016, with respect to the consolidated financial statements and schedule of St. Jude Medical, Inc., and the effectiveness of internal control over financial reporting of St. Jude Medical, Inc., included in this Annual Report (Form 10-K) for the year ended January 2, 2016.

/s/ Ernst & Young LLP

Minneapolis, Minnesota

February 23, 2016

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael T. Rousseau, Donald J. Zurbay and Jason A. Zellers, each with full power to act without the other, his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of St. Jude Medical, Inc. for the fiscal year ended January 2, 2016, and any or all amendments to said Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and to file the same with such other authorities as necessary, granting unto each such attorney-in-fact and agent 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 each such attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, this Power of Attorney has been signed on this 20th day of February, 2016, by the following persons.

/s/ MICHAEL T. ROUSSEAU
Michael T. Rousseau
President and Chief Executive Officer
(Principal Executive Officer)

/s/ STUART M. ESSIG
Stuart M. Essig
Director

/s/ DONALD J. ZURBAY
Donald J. Zurbay
Vice President, Finance and
Chief Financial Officer
(Principal Financial and Accounting Officer)

/s/ BARBARA B. HILL
Barbara B. Hill
Director

/s/ DANIEL J. STARKS
Daniel J. Starks
Executive Chairman of the Board

/s/ MICHAEL A. ROCCA
Michael A. Rocca
Director

/s/ JOHN W. BROWN
John W. Brown
Director

/s/ STEFAN K. WIDENSOHLER
Stefan K. Widensohler
Director

/s/ RICHARD R. DEVENUTI
Richard R. Devenuti
Director

/s/ WENDY L. YARNO
Wendy L. Yarno
Director

/s/ DAVID C. DVORAK
David C. Dvorak
Director

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael T. Rousseau, certify that:

1. I have reviewed this annual report on Form 10-K of St. Jude Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2016

/s/ MICHAEL T. ROUSSEAU

Michael T. Rousseau
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Donald J. Zurbay, certify that:

1. I have reviewed this annual report on Form 10-K of St. Jude Medical, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 23, 2016

/s/ DONALD J. ZURBAY

Donald J. Zurbay

Vice President, Finance and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of St. Jude Medical, Inc. (the Company) on Form 10-K for the period ended January 2, 2016 as filed with the Securities and Exchange Commission (the Report), I, Michael T. Rousseau, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL T. ROUSSEAU

Michael T. Rousseau
President and Chief Executive Officer
February 23, 2016

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of St. Jude Medical, Inc. (the Company) on Form 10-K for the period ended January 2, 2016 as filed with the Securities and Exchange Commission (the Report), I, Donald J. Zurbay, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DONALD J. ZURBAY

Donald J. Zurbay
Vice President, Finance and
Chief Financial Officer
February 23, 2016